to motions of adjournment should hinge upon what may be called administrative action and the causes for administrative grievance. Questions of general policy or modifications of such general policies are not included within the scope of this branch of business. I therefore rule the motion out of order on these grounds.

LEGISLATIVE BUSINESS—(*Contd.*)

Mr. K. R. Elenkath : Sir, I was pointing out to the House the other day the necessity for lowering the rate fixed for a share to Rs. 25 instead of Rs. 100. The object of my amendment is to enable an average Travancorean to take as much share as possible in his own concern. And the proviso which I have included makes it obligatory that not less than 60 per cent of the share-holders shall be Travancoreans. It does not in any case make a difference as to the share capital that could be available for Government to contribute. If the amount is reduced to Rs. 25 per share instead of Rs. 100 the number of shares for which applications may be called for may be increased fourfold. And according to this change the one crore of rupees which is considered to be the total capital by way of shares can be got from four lakhs of shares instead of from one lakh of shares as is being contemplated. So practically the amount that will be available to the Bank makes no difference at all. If the share value is lowered a larger number of shareholders may come in. Practically speaking it affords the middle and lower middle class persons greater opportunity to actively participate in the affairs of the Bank. With these words I move this amendment.

President : Various honourable members have given notice of amendments of the same clause *i. e.*, clause 5. The purpose of those amendments is the same. Instead of calling upon each one to move his amendments I shall call upon first the various speakers to make their observations. Then the House will make up its mind which amendment to adopt. Therefore I call upon Mr. Narayana Aiyar first to make his observations, next Mr. Kaderbhoy, then Mr. Anirudhan and lastly Mr. Kora.

Mr. G. Narayana Aiyar (*Parur, Kunnatnad and Muvattupuzha cum Devicolam*) : Sir, shall I move the amendments separately, or together ?

President : If you would kindly read the Section as modified by your amendment instead of having piecemeal amendments discussed it would conduce much to the speedy disposal of the business.

Mr. G. Narayana Aiyar: Sir, the clause as amended would read thus :

> "Subject to the provisions of this Regulation, the authorised share capital of the Bank shall be one crore of British rupees divided

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into shares of the nominal value of twentyfive British rupees each. Of these shares, one hundred thousand shares only shall be issued for subscription at the outset, and, in respect of these shares, ten per cent of the value of each shall be payable on application for the shares and forty per cent shall be payable on allotment; and the balance of fifty per cent shall be payable thereafter on call made not earlier than six months therefrom."

Clause 5, sub-clause (2) as amended by me will read as follows:—

"A committee consisting of two elected members of the Sri Mulam Assembly and one elected member of the Sri Chitra State Council, to be elected by the non-official members of both the Houses, shall be associated with the Board which may, with the previous sanction of our Government, issue the whole, or any portion, of the shares....."

I also propose that the following shall be inserted as sub-clause (3) to clause 5 :—

"Seventy-five per cent of the shares to be issued shall be reserved for Travancoreans :—

Proviso—Provided that if within the space of six months from the date of issue of shares, seventy-five per cent of the shares thus reserved for Travancoreans have not been taken by Travancoreans, so much of the shares as remain to be taken up may be sold to non-Travancores."

I further propose that the following be added as sub-clause (4) to clause 5 :—

"No share-holder can be the owner of shares whose total par value exceeds Rs. 12,500."

President: Does the hon'ble member realise that if the shares are called for and are not taken up within, say, twenty-four or forty-eight hours, the credit of the State will be greatly jeopardised? I have absolutely no objection to Travancoreans subscribing to the whole lot of the shares issued. In fact, applications for shares from Travancoreans will be given preference. But there is no doubt that if we impose any statutory restriction as now proposed by the hon'ble member and if as a result all the shares are not subscribed within a day or two after issue, the credit of the State will be affected, the outside public will conclude that there is no demand for these shares.

After all, there is such a thing as the share market which controls the value of shares. I suppose hon'ble member will bear that aspect in view.

Mr. G. Narayana Aiyar: Yes, Sir. The credit of our Government is very high not only in Travancore and in British India but throughout the world. And, nowadays, good investments are not many.

That is the reason why I am proposing these amendments.

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President : It is up to hon'ble members of the Legislature the representatives of the people, to do propoganda among the public and to influence them to apply for these shares. Certainly, I have no objection for some more time, say, a month or two, being given from now before the sharers are called. But, once you call for the shares, unless they are all subscribed within a few hours, the credit of the State will be affected. In the share market normally, it is expected that shares of good concerns will be fully subscribed within a short period after issue. In England, for instance, it will be over in half-an hour ; if the Government of India offer shares to the public, it is generally over in about six hours. As I said, while there can be absolutely no objection to give sufficient time for propoganda, to influence the public and to see that hundred per cent of the shares are taken by Travancoreans, it is up to us to see that within a few hours after issue the whole lot is sold out. I have no doubt the hon'ble member will not forget these aspects.

Mr. G. Narayana Aiyar : In the light of the elucidation by the Chair, I shall drop sub-clause (3) which I proposed to be added.

In regard to the value of the shares, as I said before, investment of money has become very difficult now, so that it is desirable that we afford facilities for investment not only for the rich but also for the middle class men. It is advisable to read a few lines from the discussions of the Reserve Bank Bill in the Imperial Legislature when the same was before the Select Committee, as well as a few provisions of the Act. The Select Committee has observed as follows :—

> "In order to ensure that the shares of the Reserve Bank shall be widely held we recommend that the nominal value of each share should be reduced from Rs. 500 to Rs. 100..... We have carefully considered the manner of allotment of shares in order to secure as wide a distribution of voting rights as possible and to provide fair facilities for investment by the less wealthy classes. In view of the reduction which we have recommended in the nominal value of each share we propose that five shares should carry one vote. In allotting the shares assigned to a register, the Central Board should therefore in the first instance allot five shares to each qualified applicant who has applied for five or more than five shares. Of the remaining unallotted shares, shares upto the amount of one-half of the balance should be allotted to applicants for less than five shares. The balance still remaining should be allotted to applicants for more than five shares, the distribution being so made as to secure the widest distribution of voting rights. We attach a great importance to securing that as large a proportion of the population of India as possible

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[Mr. G. Narayana Aiyar.]

shall become share-holders of the Reserve Bank and thereby take an interest in its efficient working".

These recommendations of the Select Committee were approved and the same is found enacted as sub-sections 6 and 7 to Section 4. It was in consideration of this aspect that, in the case of the Reserve Bank, the value of the shares which was orginally fixed at Rs. 500 was subsequently reduced to Rs. 100.

President : I am sure the hon'ble member knows that, in spite of what he has just now referred to, all the shares of the Reserve Bank are now held by very few hands so that the Indian Legislative Assembly is starting a Bill to prevent that.

Mr. G. Narayana Aiyar : I am not aware of that. I know Sir, that, when about fifteen years ago, the Government of Travancore issued debentures, it required a lot of canvassing on the part of the Government and their officers to see that the whole amount was subscribed for by the people. Now, there is a change in the mentality of the people, and they have realised the wisdom in such investments. That is why I suggest that the share value must be brought down in order to enable middle-class men also to invest in these shares.

Mr. Kottur Kunjukrishna Pillai (*Quilon cum Kunnathur*): Does my friend hope that lower-middle-class men will be coming forward to invest in concerns which can give only a minimum of return by way of dividend ?

Mr. G. Narayana Aiyar : Yes, Sir. The rate of interest has now gone down considerably ; I think everybody will be prepared to invest in shares issued by the Bank under the management and guarantee of the Government.

In regard to the question of preference being given to Travancoreans, there also, I can quote the corresponding provision from the Reserve Bank Act which, in sub-clause (3) of clause 4, lays down as follows :—

(3) A share-holder shall be qualified to be registered as such in any area in which he is ordinarily resident or has his principal place of business in India, but no person shall be registered as a share-holder in more than one register , and no person who is not—

(*a*) domiciled in India and either an Indian subject of His Majesty, or a subject of a State in India, or

(*b*) a British subject ordinarily resident in India and domiciled in the United Kingdom or in any part of His Majesty's Dominions the government of which does not discriminate in any way against Indian subjects of His Majesty, or

(*c*) a company registered under the Indian Companies Act, 1913, or a society registered under the Co-operative Societies Act ,

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1912, or any other law for the time being in force in British India relating to Co-operative Societies or a scheduled Bank or a corporation or company incorporated by or under an act of Parliament or any law for the time being in force in any part of His Majesty's Dominions the Government of which does not discriminate in any way against Indian subject of his Majesty and having a branch in British India, shall be registered as a share-holder or be entitled to payment of any dividend or any share, and no person, who, having been duly registered, as a share-holder, ceases to be qualified to be so registered, shall be able to exercise any of the rights of a share-holder otherwise than for the purpose of the sale of his shares".

The above said provisions show that a restriction was made in the selection of the share-holders even in the Reserve Bank Act and that the shares are not available to all as is seen in our bill.

My amendment also says that as far as possible perference should be given to Travancoreans.

In regard to the question of a Committee consisting of the elected members of the Legislature being associated with the Board, there is a similar provision in the Reserve Bank Act in Section 4, sub-section (5). It may happen that the major portion of the shares are held by a limited number of people, so that it cannot be said that the public will be represented on the Board. That is the reason why I propose that a Committee consisting of members elected by the Legislature shall be associated with the Board.

As the House may remember, I also propose that no one can hold shares whose total par value exceeds Rs. 12,500. I advisedly fixed the limit at that figure. In concerns like the proposed one, it often happens that a major portion of the shares are held by a few people and the rights and privileges of those taking small shares are not safeguarded. It is therefore desirable and advisable in the interest of those who can take only a small number of shares and in the interest of the concern itself, that a limit is fixed for the value of shares that any one can hold. I fixed the limit at Rs. 12,500 because in another provision relating to the holding of special meetings it is stated that a special meeting shall be convened on the requisition of any three Directors or of any person or persons who hold not less than five hundred shares. It should not happen that the whole concern is being managed, by a few persons who hold most of the shares, regardless of the welfare of the other share-holders It is to guard against such a contingency that I have fixed the limit at Rs. 12,500.

I commend my amendments for the acceptance of the House.

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Mr. M. S. Anirudhan (*Karunagapalli, Kartikapalli and Ambalapuzha* cum *Shertala*) : Sir, I beg to move the following amendment :—

"In sub-clause (I), line 4, substitute the word 'fifty' for the words 'one hundred', and, in line 5, substitute the word 'fifty' for the word 'twenty five'."

As amended, sub-clause (1) of clause 5, would read thus :—

"Subject to the provisions of the Regulation the authorised share capital of the Bank shall be one crore of British rupees divided into shares of the nominal value of *fifty* British Rupees each. Of these shares, *fifty* thousand shares only shall be issued for subscription at the outset, and, in respect of these shares, ten per cent of the value of each shall be payable on application for the shares and forty per cent shall be payable on allotment ; and the balance of fifty per cent shall be payable thereafter on call made not earlier than six months therefrom."

Sir, the share value fixed in the Bill is prohibitive. This measure is intended to relieve the indebtedness of our agriculturists. As such it is desirable that the share value may be as low as possible so that the debtor element also may be adequately represented. If the value of the share is fixed at Rs. 100 it will be very difficult for an ordinary agriculturist to take up shares of the Bank. The amendment I have placed for the acceptance of the House will enable a large number of agriculturists to take up shares so that the Bank may gain wider popularity. It would also facilitate the representation of the Debtor element to the constitution of the Bank, which give a wholesome effect in the working of the Bank. With these few words I commend the amendment for the kind acceptance of the House.

Mr. K. M. Korah (*Vaikom, Kottayam and Changanachery* cum *Peermade*) : Sir, I beg to move the following amendment to clause 5 :

"In sub-clause (1) line 4, instead of the words "one hundred" substitute the word "ten" and in line 5, instead of the word "twenty-five" substitute the words "two hundred and fifty".

As amended the clause will read thus—

"Subject to the provisions of this Regulation the authorised share capital of the Bank shall be one crore of British Rupees divided into shares of the nominal value of ten rupees each. Of these shares, two hundred and fifty thousand shares only shall be issued for subscription at the outset, and, in respect of these shares, ten per cent of the value of each shall be payable on application for the shares and forty per cent shall be payable on allotment ; and the balance of fifty per cent shall be payable thereafter on call made not earlier than six months therefrom".

Fixing the share value at Rs. 100 would make the position of the agriculturists pitiable for-fixing the share value at Rs. 100, I fear, will surrender the Bank into the hands of the capitalists. At

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present Rs. 100 is too much for an ordinary person to pay. Especially in these days of depression, the poor agriculturists also should be given a chance to take sufficient number of shares in the Bank. Splitting up shares into lesser denominations say, of Rs. 10, would ensure greater popularity. At the same time the co-operative spirit also will be encouraged. So I move this amendment for the acceptance of the House.

Mr. Abdul Tayeb Shaik Kader Bhoy (*Commerce and Industry, South*) : Sir, I beg to move the following amendments to clause 5 :

> In line 4, substitute " fifty " for " one hundred " and in line 5, substitute " fifty thousand " for " twenty five thousand. "

The clause as amended will read thus :

> " Subject to the provisions of this Regulation, the authorised share capital of the Bank shall be one crore of British rupees divided into shares of the nominal value of fifty British rupees each. Of these shares fifty thousand shares only shall be issued for subscription at the outset, and, in respect of these shares ten per cent of the value of each shall be payable on application for the shares and forty per cent shall be payable on allotment ; and the balance of fifty per cent shall be payable thereafter on calls made not earlier than six months therefrom. "

Sir, my friend Mr. Elankath has moved an amendment for substitution of " twenty five " for " fifty " in his amendment and if Mr. Elankath's amendment is accepted I will not press my amendment. If it is not accepted then I wish that my amendment may be accepted.

Mr. M. K. Ananthasiva Aiyar: Sir, I oppose all the amendments. The proposed Bank is intended more as a commercial concern, as a businesslike concern, than a philanthropic one. In order that a shareholder should have some interest in the concern I would say that his investment should be also substantial. In my opinion the share value of Rs. 100 is rather low. In order that the owner of one share may take a real interest in the affairs of the Bank the share value must be far higher. Supposing the share value, as proposed by my learned friends, is only Rs. 25. the utmost dividend which may be expected out of this may be three or four per cent and what is the amount which a shareholder would get in a year ? It will be rather too poor.

Mr. K. R. Elankath : May I know from the member if he is in a position to take up more shares will he not proportionately get a bigger amount as dividend ?

Mr. M. K. Ananthasiva Aiyar : I speak of a person who has taken only a nominal number of shares, that is one share or so. Such a person will rather than be a source of real benefit to the

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[Mr. M. K. Ananthasiva Aiyar.]

business of the Bank, be a nuisance if I can use a harsh word to the business itself. He would rather spoil the business than do any good to it.

Mr. G. Narayana Aiyar: May I know what the average income of a Travancorean is ?

Mr. M. K. Ananthasiva Aiyar: The average income of a Travancorean may be poor but there are people in Travancore who take a real interest and who may be prepared to take shares.

Mr. Nedumangad R. Kesavan Nair: May I know from the member, whether there are not people in Travancore who take interest in the Bank but could not take more than one share ?

Mr. M. K. Ananthasiva Aiyar: There may be.

Mr. N. Abdur Rahiman Sahib (*Trivandrum and Nedumangad* cum *Chirayinkil*): How is the share holder having one share a nuisance ?

Mr. M. K. Ananthasiva Aiyar: It is undesirable to have any man as share holder who is not expected to take any keen interest in the Bank.

Mr. Nedumangad R. Kesavan Nair: Is it the member's view that the person who has taken a small number of shares could not take any interest in the Bank ?

Mr. M. K. Ananthasiva Aiyar: Provided his investment is substantial, he will take interest.

As regards the inclusion of members of the Legislature in the Board, I am of the view that none who is not a share holder should have anything to do with the Bank.

Mr. Nedumangad R. Kesavan Nair: Is the member aware that provision is made in the Bill for the inclusion in the Board of debenture holders who are not shareholders ?

Mr. M. K. Ananthasiva Aiyar: Yes. Under these circumstances, I oppose the amendment.

Mr. K. R. Elankath: May I know whether there is a provision enabling persons who are neither shareholders nor debenture holders to get into the Board? I refer to the two officers nominated by Government.

Mr. M. K. Ananthasiva Aiyar: They are Government members.

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Mr. Kottur Kunjukrishna Pillai: Sir, I also rise to oppose the principle of the amendments, because, Sir, honestly if what is expected by the members who want to lessen the share value is to make a larger number of people take a live interest in the affairs of the Bank anybody who knows the working of any joint stock bank will realise that it is the small shareholder or the nominal shareholder who is the danger, and the cause of the lack of supervision rather than the other way. If a man has got a real stake in the bank if he has invested money on which he is keen, he will make it a point to give his whole and undivided attention to the affairs of the Bank. But if you take courtesy's sake one share in the bank due to the request of somebody or without any previous thought you will give the voting power to anybody. We have to consider the voting system in the affairs of the Bank. The proxies will be allowed to be collected by anybody and it will be utilised as they wish and the man who has no real interest in the bank, who has got only a 25 rupee interest in the bank, will give his proxy to any one going about to collect these proxies. Such a man will be able to torpedo the real interests of the bank and make the bank not workable. So if the real interest of the Bank is to safeguard the supervision of the directors of the board, the point as suggested by my friend Mr. Ananthasiva Aiyar is that the share value ought to be raised. In fact realising this, elsewhere it has been suggested that the share value of Rs. 100 is very low and it ought to be raised.

Mr. K. R. Elankath: May I know whether it is the member's view that the economic value of a certain amount of money is the same to a rich man as well as to a poor man?

Mr. Kottur Kunjukrisha Pillai: Sir, I am not called upon, I suppose, to answer self-evident propositions.

President: Order, order. The honourable member may use his own discretion in answering questions.

Mr. Kottur Kunjukrishna Pillai: I request the honourable members to leave me alone for a while to explain my point of view.

President: Order, order. It is entirely within the discretion of the honourable members to yield or not to yield their place.

Mr. Kottur Kunjukrishna Pillai: Sir, I am very loath to be discourteous by saying that I will not yield my place when questions are sought to be put.

Elsewhere the view was that this share value of Rs. 100 is very low and that the share value ought to be raised. In fact, in the working of the various banking institutions it will be found that it

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[Mr. Kottur Kunjukrishna Pillai.]

is the nominal shareholder that is the real drag in the working of the Bank. In fact that has been the danger with regard to many a banking institution here and that danger ought to be averted. But it should not be made prohibitive so that an ordinary person if he seriously wishes will be prevented from taking a legitimate share in the affairs of this Bank. Sir, is anybody really affected by this amount that has been fixed ? That is the real practical question that the House has to consider. If that question is considered it will be found that it is not for the debt-laden agriculturist or the poor man in whose interest the share value is sought to be reduced. Let us consider for a moment as a practical proposition how many such people there are who are above the ordinary means of subsistence and who are going to take shares in a Bank which declares at the outset that its return will be the minimum, that its interest will not ordinarily go beyond 5 per cent and that the dividend will be very much less. Who is he who is so much bursting with money that is to be found in the lower middle class who is going to rush in and whose right is going to be denied ? I for my part do not see any practical reason for suggesting these amendments. It is all very good to say—it may be all very popular. It may be said that we are asking the share value to be reduced in order that the largest number of people may take the benefit. The question has to be considered seriously when we propose an amendment. We have to understand the implications of it and we have to consider the practical working of the Bank. If the practical working of the Bank is considered, I am sure there is no real hardship in the first instance, and secondly, if the value is reduced, there is real harm with regard to the management and supervision of a Bank which has to be done efficiently and we should not bring any amendment with a view to place a clog in the working of the institution.

Mr. K. M. Korah : What is the harm in the share value being reduced ?

Mr. Kottur Kunjukrishna Pillai : That is what I have been trying to explain all this while and I am so sorry that the question has been put to me now.

Mr. K. M. Korah : I am sorry we are not convinced.

Mr. Kottur Kunjukrishna Pillai : It is another matter if you are not convinced. If you say that what I have said is ununderstandable, I have only to say that I have made myself clear as much as it lies within my power, but if yet it is ununderstandable, the fault may be mine or that of the understanding. It may be either way, but it cannot be helped. What I had to say was that if a man has got a small share and if his interest

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in the bank is very nominal the interest taken by him in the concern as a whole will be very lax. That has been found in the history of many a banking institution in Travancore and that is well known to all people and there is nothing particular with regard to this institution. That is a general proposition and I thought it will be accepted and will be realised. To get convinced is a different matter.

Another point that has been suggested is with regard to the reservation of the shares to Travancoreans up to a certain percentage. Some said it must be 60 per cent and others said it must be 75 per cent. Whatever that may be, the principle seems to be whether there is any necessity for such a restriction, and whether it will be advantageous in the interests of Travancoreans. Sir, if there are men in Travancore with sufficient money and if they are forthcoming to get all the shares, say one hundred per cent. of the shares, why should there be this reservation of 75 per cent. or 60 per cent? Why this Restriction?

Mr. M. S. Anirudhan: May I know whether he is agreeable to give preference to Travancore applicants?

President: I thought I made it clear that Government should endeavour as much as possible to give shares to Travancoreans. If 100 per cent. of the applications are made by Travancoreans, no outsider should be allowed to take any share. It is only to the extent that we do not get applications from Travancoreans that Government will have to go in for outsiders.

Mr. Kottur Kunjukrishna Pillai: I am insistent on that. I think there will be no difficulty with regard to that. Therefore the restriction of shares so far as Travancoreans are concerned is not really necessary to safeguard their rights. But making a legislative provision restricting the Travancore shares to 75 per cent. or 50 per cent. is dangerous. We do not know how many people will be coming in. We must give every one a fair opportunity. Therefore restriction of rights will be dangerous. Far from enhancing and saving the rights of Travancoreans, such a restriction will only jeopardise their rights. So far as the members of the legislature are concerned, only those people who have put their money in the bank should be allowed to have a voice in it. Others will not be helpful for the proper management of a business concern. It is not always advantageous for business concerns to have prying and criticising men, with no real financial interest in the bank who will give publicity to the work of the board and who will say that this should not be done and that should not be done. Such men will not be prepared to take the real risks in order to advance the business of the bank. They will have ideas of the old

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money lender in them and will make themselves in the beneficial working of the bank a nuisance. He will not understand the working of civilised banks and will be a drag on them.

Mr. G. Narayana Aiyar: May I ask whether members of the legislature are not responsible men?

Mr. Kottur Kunjukrishna Pillai: They may be responsible men. What I tried to impress was that those who are not acquainted with the money market, the business of the bank and are not competent to do such work will be a drag on the bank. Members of the legislature are not expected to be omnicient. They may know the general work of the bank but they may not know its business.

Mr. Abdul Tayeb Sheikh Kaderbhoy; May I ask the member whether he knows that there are members in the Legislature returned by the commercial constituencies?

Mr. Kottur Kunjukrishna Pillai: Yes, there are. The member's presence if not anything else reminds me of that constantly.

Mr. Abdul Tayeb Sheikh Kaderbhoy: Are they not connected with Banks?

Mr. Kottur Kunjukrishna Pillai: Yes, and sometimes to an alaraming extent entangled in Banks.

Mr. K. R. Elankath: What is the alaram?

Mr. Kottur Kunjukrishna Pillai: The meaning is very clear.

With these words, I oppose all the amendments and I do not think that there is any real need for or substance in the amendments.

Mr. M. S. Anirudhan: May I know whether the member has any experience in the working of banks?

Mr. Kottur Kunjukrishna Pillai: I have none, But I have been living in this world with my eyes open; and have tried to profit by observation and experience.

Mr. V. S. Arumukham Pillai (*Tovala* cum *Agastisvaram*): Sir, I oppose the ammendments. Honourable members who have moved the amendments have not understood the scope and object of this institution. The object as indicated in the Bill is to help the really indebted agriculturists. It is conceded by my friends that agricultural credit has gone too low. As a matter of fact in Travancore we have got men who possess immense wealth but who for want of an adequate organisation to invest their money are allowing their money to lie idle. This institution is intended to help the

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agriculturists by transferring the money possessed by these people to the really indebted agriculturists. The object of the amendment seems to be not only that the poor agriculturist, but as my friend Mr. Anirudhan put it the debtor element also, must have a part in this institution. Sir, we have experience of co-operative institutions and co-opertive banks. We see that these co-operative institutions have now become seeds of faction and disharmony.

Mr. Nedumangad R. Kesavan Nair: May I ask whether in co-operative institutions there is the same amount of Government control as is proposed by this Bill in the case of this bank?

Mr. V. S. Arumukham Pillai: Sir, my friend is also a member of a co-operative bank and he knows the business and working of co-operative institutions. There is nothing but faction in those institutions.

President: Why go into a discussion of the co-operative institutions now?

Mr. V. S. Arumukham Pillai: Sir, my friends said that the agriculturists should have a voice in the bank. As an illustration I pointed out the working of the co-operative institutions. There the debtor element has a predominant profit. All the agriculturists are members of co-operative societies. Real work and real service are not done by these institutions. Because of the failure of the co-operative institutions there is great need for an important institution like this. If the value of the shares are reduced and if as my friends have suggested the debtor elements are also allowed to take part in this institution, I am afraid the institution will not work and will not achieve its object.

Mr. M. S. Anirudhan: May I know from the member whether he thinks that the debtor elements must be kept off from the bank?

Mr. V. S. Arumukham Pillai: That is my view. My view is that the debtor element must be rendered some help. And to render them help this institution is very important. And in order to attract money it is highly necessary that the share must be at least made very prohibitive.

Mr. K. K. Kuruvilla: Sir, I rise to support the amendment. In the beginning I wish to say that I am sorry that some members think that interest of a man in a bank depends on the amount of money he invests in it. My personal experience is that in many cases men who have little money invested in a Bank have taken greater interest than others who have invested much money. What I want to say is that the man who takes a nominal share may

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[Mr. K. K. Kuruvilla.]

be a drag on the institution but the capitalist may be a greater drag. The man who has taken a nominal share becomes a drag only when the capitalist becomes very selfish. One of the honourable members said that he was a member of several companies and banks. The retort came that the situation such men would create is alarming.

When the capitalist takes the majority of shares he is interested to secure high profits for his own benefit. Few wealthy men have taken shares in Co-operative Societies since they cannot expect any large dividends from these. So I am of opinion that this clause safeguards more the interest of the capitalist than of the nominal shareholder. On this ground I support the amendment.

Mr. Kayalam Paramesvaran Pillai (*Law Member to Government*): Sir, I oppose all the amendments. Before I go into the merits of the amendments, let me try to answer a question put by Mr. Kunjukrishna Pillai. He asked the question whether anybody wants to put a clog on the bank. He did not answer it himself. I shall however submit an answer. There are at present private institutions and private individuals who lend money formally at somewhere about 6 per cent. but really at 12 per cent. or 18 per cent. by taking *vattoms* commissions and such other things. The persons who will be affected by this bank are such institutions or individuals as such persons will nowhere be able to carry on their trade. It is they that will be interested in putting a clog on the working of this Bank. I would appeal to the House not to heed the protestations of such persons and that honourable members should not play into their hands. I shall now deal with the merits of the amendments.

Government would desire *all* the shareholders were Travancoreans. But there may be difficulty in getting all the shares taken by Travancoreans. We cannot be quite sure that all the shares will be subscribed for by Travancoreans. In such a case it will be conceded that outsiders must be allowed to subscribe for the shares.

Mr. Nedumangad R. Kesavan Nair: May I ask why not reserve 75 per cent. of the shares to Travancoreans?

Mr. Kayalam Paramesvaran Pillai: If you put a statutory obligation to the effect that all the shares or 75 per cent. or 50 per cent. should be given to Travancoreans, we must have an assurance that Travancoreans will take up all the shares reserved for them. If Travancoreans do not take them, outsiders may not subscribe for those shares and there will be a deficit when the share list is closed.

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Mr. Abdul Tayeb Sheikh Kaderbhoy: May I ask whether the shares will be subscribed for by individuals only or also by institutions?

Mr. Kayalam Paramesvaran Pillai: It is not at all possible therefore to limit the issue of shares by a statutory compulsion. But there is this fact that the Government can give an undertaking that as regards the allotment of shares the Travancoreans will be given preference. Any Travancorean can apply for the shares provided he has ability to subscribe for it. If you put a statutory obligation and say that the shares shall be issued only to Travancoreans, you can make it effective only if we further provide that such shares shall not be transferred to non-Travancoreans. If the Travancoreans may take the shares and they may transfer them the next day, what then is the effect of a provision that shares shall be issued only to Travancoreans? If we restrict that Travancoreans alone may purchase the shares the value of the shares will go down. Travancore has no share market. We have to depend on outside markets. We have to go to Bombay or Madras share markets for sale and purchase of shares. It is not worth while for such markets to deal with shares which cannot be purchased by non-Travancoreans. The value of the shares will therefore go down even to 10 or 15 per cent of the face value. Do the honorable members want these shares to depreciate like this?

Mr. K. R Elankath: May I know whether the value of the shares will increase or decrease in proportion to the efficiency of the Bank? What will be the position if there are restrictions imposed in regard to the transfer of shares?

Mr. Kayalam Paramesvaran Pillai: The value of shares will increase if the efficiency of the bank increases. When the bank is less efficient, naturally the value of the shares will decrease. Whatever that be, the shares must be a marketable commodity. If so, the question of the share market is important, and it must be borne in mind in considering whether the issue of the shares to Travancoreans alone should be made statutory.

As regards the amount to be paid for the shares, according to the provision in the Bill, only 50 per cent. will be called at the outset of which 10 per cent has to be paid on application and the remaining 40 per cent on allotment. The taking of the shares must be considered as an investment of money. If it is an investment then I ask whether Rs. 50 for a share is too much. The subscribtion should not be treated like a subscription paid, say to a foot-ball match or to a debating society. If the share taking is considered as an investment then the honourable members will see that Rs. 50 is not too much for an investment. Then again what is the return

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[Mr. Kayalam Paramesvaran Pillai.]

that this investment is going to fetch. Probably it will bring 4 or 5 per cent. dividend. Are there many people in Travancore who think that they will make an investment expected to bring a return of that 5 per cent. or so?

Mr. K. M. Korah: May I know the average income of the Travancoreans?

Mr. Kayalam Paramesvaran Pillai: That does not help to solve the issue. Let it be one chakram. I am suggesting that the taking of shares must be considered as an investment and that the return from these shares will be much after all.

Mr. K. R. Elankath: Is it the member's idea that the share value should be considered as an investment?

Mr. Kayalam Paramesvaran Pillai: Yes.

Mr. Abdul Tayeb Sheik Kaderbhoy: If the bank is intended to be of advantage to the poor people, then why not a chance be given for sharing the profits derived from it?

Mr. Kayalam Paramesvaran Pillai: No body objects to it. By all means let him come and invest, provided he will be satisfied with 4 or 5 per cent return. Further when it is said that the bank is intended for the agriculturists, it does not mean that they should take part in the business or should own it. All that is meant is that it is a business concern which is mainly intended to advance money at low rate of interest to agriculturists. It is not an agriculturists' institution owned and worked by the agriculturists though it is set up to benefit the agriculturists.

Mr. Nedumangad R. Kesavan Nair: Is it not stated that a fixed rate of interest should be charged for the loans and that there should be a representative of the agriculturists?

Mr. Kayalam Paramesvaran Pillai: It will be a good arrangement if it were possible.

Mr. G. Narayana Aiyar drew the attention of this House to certain provisions of the Reserve Bank. But that is not quite applicable here. The objects of the Reserve Bank are entirely different from the object of this Bank. The object of the present bank is mainly to lend money at a very low rate of interest as an ordinary banking business. Whereas the business of the Reserve Bank is coloured more or less by State considerations. I shall read the preamble to the Reserve Bank Act. It reads thus:

> "Whereas it is expedient to constitute a Reserve Bank for India to regulate the issue of bank notes and the keeping of reserves with a view to securing monetary stability in British India and generally to operate the currency and credit system of the country to its advantage;

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And whereas in the present disorganisation of the monetary system of the world it is not possible to determine what will be suitable as a permanent basis for the Indian monetary system ;

But whereas it is expedient to make temporary provision on the basis of the existing monetary system, and to leave the question of the monetary standard best suited to India to be considered when the international monetary position has become sufficiently clear and stable to make it possible to frame permanent measures"

It will be noticed from the statement of the purposes of the Reserve Bank that it is not a business concern like the one that our Bank is intended to be. The working of the Reserve Bank is based more or less on State consideration. They are to do currency work for example. Our Bank's main purpose will be the lending money at low rates of interest.

Then Mr. Narayana Aiyar suggested that some members of the legislature should be associated in the allotment of shares as in the Reserve Bank Act. That too has no bearing on the scheme of our Bill. It will be noticed from this Bill that the first allotment of shares is to be made by Government; and in regard to further allotments it is laid down that it will be subject to conditions laid down by Government. That is not the case with the Reserve Bank where the allotment was made not by Government but by a board. If the allotment is made by Government why should the members of the legislature be associated with that function. Is it because they distract the Government. In the case of the Reserve Bank the exact provision in regard to the allotment of shares is this.

"A committee consisting of two elected members of the Assembly and one elected member of the Council of State to be elected by non-official members of the respective Houses shall be associated with the central Board for the purpose of making public issue of shares and looking after the first allotment of shares."

It is a purely non-official board that is entrusted with the allotment of shares. Therefore some members of the legislature were associated with it. Here the allotment of shares is to be made by Government. There is also the undertaking by that the shares will be given to the Travancoreans if they come forward.

Mr. R. V. Thomas (*Todupuzha* cum *Minachil*): May I know, if the share capital is increased who will be allotting such shares?

Mr. Kayalam Paramesvaran Pillai: The Board will issue shares with the previous sanction of Government and in such manner as is prescribed.

Mr. R. V. Thomas: Does it follow from this that the members of the legislature shall be associated with the matter of issuing shares?

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Mr. Kayalam Paramesvaran Pillai: The allotment of shares would be done by Government. And the Government will take the necessary precaution in the matter of the issue of future shares. Remember that this is a share-holder's Bank mainly intended to make long term loans. Every provision should be made to safeguard the interest of the shareholders as well as of course the agriculturists and industrialists. And that has been done in the Bill.

Mr. N. V. Chacko (*Parur Kunnatnad and Muvattupuzha cum Devicolam*): Sir, I rise to support the amendment. The value of the shares should be reduced to as low a rate as possible so as to benefit Travancoreans I do not think that the whole or any part of the scheme will tumble down if the share value is reduced from Rs. 100. The rich people are not affected in any way by making the share value smaller. They can subscribe for a correspondingly larger number of shares. There is no provision that one can subscribe for one share only. In Travancore we have such a currency as one cash. That is also an argument in favour of reducing the value of a share to rupees fifty or twenty-five or ten.

The bank is intended, at least mainly for the benefit of the agriculturists. If that is so, it is better and more advisable to enable as large a number of agriculturists as possible to associate with the Bank by subscribing for its shares. This requires that the share value should be as low as possible.

Mr. R. V. Thomas: Sir, I rise to support the amendment. I would impress on the attention of the House that the purpose of this bank is certainly to help the agriculturists. It is invested with very extraordinary powers and as such it is all the more necessary that the people of Travancore should have a real control in the working of the bank.

My friend Mr. Kunjukrishna Pillai has conceded that the value of a share must not be prohibitive. But the face value of the share is prohibitive. To A it may not be prohibitive but to B it may be prohibitive. I say, to the average Travancorean, the face value fixed at Rs. 100 is surely prohibitive. I would challenge any member that if the share value is lowered there should be a very great rush for the shares of common people. As fixed at present, I am afraid there will be very few applicants, at least of the middle classes from Travancore. As Mr. Kuruvilla suspected, I am quite sure that, as at present fixed, the face value of the share at Rs. 100 will make it prohibitive for the poor classes of Travancore to take shares in the Bank. It is imperative that this House should consider this question very leniently and try to fix the face value at a lower amount. The Law Member said that an investment must be a real investment. I think Rs. 25 will also be an investment. It need not be Rs. 100. The average Travancorean is not very rich. There is a desire among the ordinary people to get themselves associated

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and to have control at least to some extent in one of the foremost institutions of the State. The main idea is not to get the dividend but to have a share in the control of the Bank. I think even members of this House may not be conveniently able to invest money for the shares at this face value. If that be the case with the honourable members of this House what will be the position of the middle classes? Therefore I am quite sure that the face value of the share, as fixed at present, is prohibitive from the point of view of an average Travancorean. Look at the cash certificates issued by the Post Office authorities. They have issued certificates for amounts less than Rs. 100. I think they are as good business men as ourselves, if not better. Therefore an investment or the reality of an investment does not lie in the fact that it should be Rs. 100 or Rs. 200. I do not agree with the view of the Law Member that the face value of the share must be Rs. 100. I think the ordinary Travancorean ought to be enabled to take more interest in the Bank by taking shares and so the face value of the shares must be lowered. I have to make an observation with regard to the Law Member's statement. I think, we can get over the difficulty expressed by the Law Member by lowering the face value of the shares. If the face value is lowered, surely Travancoreans would rush in with applications for shares. The general public of Travancore may be thus enable to take a real interest in the affairs of the Bank. With these remarks I support the amendment.

Mr. P. R. Goda Varma Raja (*Edavagai*): I oppose all the amendments. With regard to the lowering of the value of the shares, we must consider from what source we have to get the money in order to serve the purposes of this Bank. As mentioned by Mr. V. S. Arumukham Pillai, it is the rich people that should give money to help the agriculturists and it is the agriculturists that have to be benefited by the establishment of the Bank. So even if we lower the value of the shares to a lesser amount it is not possible for the ordinary agriculturists to invest their money in this Bank. Travancoreans can take shares even if the value of the shares is not lowered. I hope all of us will agree that Travancore is not lacking in rich people, and I am sure that there will be persons willing to come forward to take shares in the Bank. With regard to the restriction sought to be placed in allotment of shares, I think it is most inadvisable. As suggested by the Law Member, the non-transferability of the shares should be included if a statutory provision restricting allotment is to be made in the Bill. Moreover, the value of the shares will also go down in the market. I think for that reason also I should oppose the amendment. For these reasons I oppose the amendments.

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Mr. Kochikal P. Balakrishnan Tampi (*Karunagapalli, Kartikapalli and Ambalapuzha cum Shertala*): I also oppose all the amendments, after the assurance given by the Government that they will try, as far as possible, to sell all the shares to Travancoreans. I am surprised to hear this sort of argument brought forward before this House at a time when the Bill comes here after it was passed in the other Chamber. There is a proposal that sentimental elements should be represented, the debtors should be represented in the Bank. Even in other places where five year plans and ten year plans are in vogue for the rearranging of administration, I have not known of a debtor element as such being represented in a Bank and it is a matter of irony that one of the biggest institutions of this country is not going to be in a very satisfactory position if the debtor elements come in unconsciously. We should try to keep away the debtor element from the management. I am glad that by raising the share value to Rs. 100, the framers of the Bill have tried not to bring in a vociferous class of people who are not very good at business and who sometimes create troubles to the Bank. I can understand a banker putting forward his argument that his business will be affected, that his rate of interest in his Bank will come down and therefore he opposes the passing of the Bill. They will be more honest than those who say that the debtors should be benefited. (*Mr Kottur Kunjukrishna Pillai. Here, Here*). Some of the honourable members who opposed this Bill have misunderstood the scope of the Bill. It is not a savings bank affair. It is not a cash certificate affair. It is rather a Bank intended to benefit the agriculturists and to give long term loans to help the industry of this country. There is the Anchal Savings Bank. If anybody wants to invest Rs. 25 that may be given there. If they were very keen on investing, let those honest and good people invest their money in the Anchal Savings Bank. I cannot understand the argument of my friend Mr. Kuruvilla, for whom I have very great respect, when he said that a man's interest in a Bank does not depend upon the amount invested in it but on some other considerations. The ordinary man who is not an idealist has got his interest in the Bank because his money is invested there and not because of extraneous considerations. When I go to a Church I go to pray, when I go to a temple I go to worship and when I go to a Bank it may be either to get my money, the dividends on the shares or the interest on the money. I always believe that it is not in our interest to play to the gallery. We come here to do business. It is up to us not to give an impression that we are against the poor men investing their money. It is not a question of investing money. In fact, this is

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a piece of legislation more serious than any one that has ever come before the Legislature, old or new. We should not be catering to the fancies or desires of some sentimentalists. If we take a wrong step, I do not want to visualise the result of the future. I very strongly oppose the amendment.

There is one other consideration also. What is the history of banks which are started with small share capital. It is easy for rich individuals and certain other concerns to shoulder all the shares in a very short time. In the history of banking in this country and elsewhere we find that the richer and more powerful elements will absorb all the shares in course of time.

And I do not understand the gist of the argument of Mr. Narayana Aiyar when he says that the amount to be subscribed must be limited to Rs. 12,500. The object of this Bill is, as has been officially stated, to attract agriculturists who would otherwise go for money even at the risk of paying usurious rate of interest. Moreover the money which is lying idle in the hands of some people and which is usually invested for usurious interests could also be attracted in the Bank so that it might well irrigate the arid fields of rural economy. Therefore there is no point in saying that the number of shares at present should be restricted. But on the other hand, every attraction should be given to people to take as many shares as possible. I would also appeal to the officials and non-officials that they must in their own individual capacity or in their private capacity try to sell shares. I remember, it was 20 years ago, during the War time, when in fact there were doubts entertained in regard to the stability of empires, even then, great interest was taken by Government officials and leading non-officials of our country in the issue of War loans and a great amount was subscribed towards that loan. It was not because that people were anxious to subscribe but it was simply because that the officials and non-officials wanted to see that a decent sum was subscribed. If the same interest is taken, I am sure, not in 6 hours but even in a shorter period the whole amount will be subscribed in Travancore.

Another view point brought forward to put us in the wrong is by saying that the members of the legislature should have a hand in shaping the policies and the working of the Bank. Sir, I am a great believer in democracy myself. If it is within the purview of the Council that a member could have a hand in the shaping of its constitution, I would have given schemes for widening the suffrage and responsibilities of the legislature. But to take it to a banking concern it has no point Members like Mr Kottur even are not competent to deal with banking problems. There are members who

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[Mr. Kochikal P. Balakrishnan Tampi]

are competent to do the business. If the Government find there are persons competent to speak about banking there is nothing to prevent them from nominating such members to the Board. But on the other hand I do not claim to belong to that class referred to by my friend Mr. Thomas. I do not claim higher than the class referred to by my honourable friend. But if a crore of rupees is entrused in the hands of people of this class what will be the future of the Bank I do not want to visualise. When we go to business when we are doing business we must be actuated by business motives and not by sentimental considerations that would get the applause of the man in the street. This Bank is primarily intended to finance the agriculturist and the industrialist. So the scheme should be made a success by the hearty co-operation of all the sections of His Highness the Maharaja's subjects including the leading officials and non-officials of the State. Therefore, I again oppose the amendment.

Mr. K. R. Elankath: Sir, a word by way of reply.

President: You have no right to the reply but you can speak.

Mr. K. R. Elankath: The main objection that was raised in opposing the motion is that if the share value is lowered a large number of monied people or capitalists would not risk their money in the bank and the bank will not be able to give sufficient interest or dividend to the share-holders or in other words there will be no attractive profit to the investor. Sir, it is forgotten by the members on the other side that even the elementary principles of economics teach us that the value of money to every person is not the same. A person who cannot dream of having a hundred rupees a year may consider twenty five rupees much more in value than a person who gets about Rs. 2,000 of annual income would value Rs. 1,000. Therefore a person who invests Rs. 25 with difficulty will have ordinarily greater consideration and care for the safety of his amount or investment than one who may even invest Rs. 1,000 or more without much difficulty.

My friend Mr. Kunjukrishna Pillai said that there would be obstacles in the way of the smooth working of the Bank on account of a large number of critical and vociferous elements coming in. As far as I know, what we find in a general meeting of the Bank is that when the share capital is low they offer the most useful criticisms and many do not even attend meetings because, it is the confidence enjoyed by the bank that has induced them to invest in theirs.

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Mr. M. S Anirudhan: May I know whether there is any bank whose share value is Rs. 100 or above?

Mr. K. R. Elankath: No, even in the State Aided Bank of Travancore which is a quasi-Government concern the share capital is but half the amount. Even there the share value to be paid up is only Rs. 25. Even the Reserve Bank of India has a much lower share value than that contemplated in this Bank. So, taking into consideration the condition of the people of Travancore I think that the share value should be lowered to Rs. 25 and the fears that have been apprehended by the honourable members are merely fancied and are not substancial. It has been the experience of those who are in the line that when the share value is lowered there is much less trouble from the investors. Many shareholders may not as long as they believe that a bank is well conducted care to come and trouble the Committee and the Board of Management, for their confidence and reliance in the board and in the solvancy of this bank was the main consideration for their taking shares. In spite of the assurance given by the President that as far as possible Travancoreans will be enabled to subscribe to the shares, as Mr. Thomas remarked, some provision should be made so that all the shares may be subscribed, in Travancore itself. On the other hand Government are sufficiently widening the scope for the outsiders to get a large number of shares if the share value is made prohibitive to Travancoreans. If this amendment is accepted I should think that there is no need for the amendment that 60 per cent. of the shareholders shall be Travancoreans with a lower share value if they do not come in, in large numbers we have to blame none. I could see the soundness of the argument of the Law Member that every facility is given in the Bill for the Government to exercise control and supervision in all the affairs of the bank even if outsiders form the bulk of the shareholders, and that preference will be given to Travancoreans. But if this preference should be fruitful greater opportunity and convenience should be given them to come in as shareholders in the bank and that less of justification there should be for taking outsiders.

Mr. G. Narayana Aiyar: In view of the assurance given by the Chair I don't press the motion for the amendment.

President: Before putting the amendments to the vote, as this is what may be called the pivotal point of the Bill, and as several differing statements have been made, and as it is necessary to make it clear what attitude Government is going to take in the matter, I propose to say a few words. I wish to repeat what I have already stated that it is the constant preoccupation and will be the endeavour of Government to make this essentially a Travancora

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[President.]

concern. In another word, if the application for shares are forthcoming from Travancoreans, those applications will be given preference and no one will rejoice more than the Government of Travancore if a hundred per cent. of the holding is in the hands of Travancoreans. As was mentioned some what earlier in the course of the debate, there are certain difficulties of a practical nature with reference to fixing 50, 60, 70, or 75 per cent. as the minimum holding of Travancore; because it is necessary that this Bank should command the respect and confidence not only of the business organisations within the State itself but by all business organisations and banks throughout the world. It may be that a Travancorean may hold Rs. 100 worth of shares, or Rs. 10,000 worth of shares or shares to the value of a lakh of rupees. Supposing he wants to raise money on those shares for some necessary purpose. Then the shares should be sufficiently reputable in the market so as to induce any bank or any business concern in India to advance money on the security of those shares so that he might have the advantage of what may be called a gilt-edged security. If that object is borne in mind the importance will be realised of making this share issue on a commercial basis. In other words, the response to the appeal by the Government and the people of Travancore must be instantaneous and immediate. I have no doubt that Government will carefully keep in mind the necessity for foreign publicity and propaganda in this matter. And in this respect I specially welcome the remarks that were made by the honourable member Mr. Balakrishnan Tampi and I trust that the officials and non-officials alike will be centres of propaganda from now until the share issue of this bank is being called up. But once the prospectus is issued and shares are called for I hope and fervently trust that within an hour or two of the calling of the shares we should be able to close the register.

I would like to deal with one or two other aspects. The share capital of this Bank is Rs. 25 lakhs. That is, out of a crore, Rs. 25 lakhs is called in. And the Government and the personages and institutions connected with Government are likely to take more than 50 per cent. of that 25 lakhs. So that the residual power will be vested with Government; Government will be the holders of practically Rs. 13 lakhs worth of shares. And the share capital which the world at large will subscribe to will come about to 12 to 13 lakhs of rupees. It is not too much to hope that within a few minutes of the shares being called for that capital would be forth coming. I would ask the honourable members to remember also that in this discussion it would be futile to attempt to clear all the

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agricultural indebtendess with this 25 lakhs. Of course the figure of the total of agricultural indebtedness has been fixed theoretically or academically at 15 to 25 crores. This figure was probably reached by adding the obligations of both sides, *i. e.*, the creditors' debts and the debtors' debts as most people in Travancore are both debtors and creditors. However that may be, the required amount of two or three crores, cannot be met from the shares. And this Bank is not going to operate solely on the share capital. Deposits will be taken and debentures will be issued so as to augment the possibilities of the authorised capital. And the management or the executive of the Bank is determined by three methods *i. e.*, (*a*) by means of the share capital, (*b*) by means of deposits and (*c*) by means of debentures. This seems to be the best method for bringing the organisation into existence. That is the problem we are now dealing with and our task is how best to attract money by way of deposits and debentures while keeping in view the need to maintain the Bank as a Travancore institution.

The amendments were put to vote one after another and lost.

The question that clause 5 do stand part of the Bill was put to vote and carried.

The clause was added to the Bill.

The Council adjourned for lunch at 1 P. M., and re-assembled at 2 P. M. with the President in the Chair.

Clause 6.

The question that clause 6 do form part of the Bill was put to vote and carried.

The clause was added to the Bill.

Clause 7.

Mr. K. M. Korah : Sir, I beg to move the following amendments :—

Add the following as an additional provisio :

"Provided however that, in the matter of allotment of shares, preference shall be given to Travancoreans."

This amendment seeks to impose a statutory liability on our Government and on the Bank to give preference to the subjects of His Highness the Maharaja in the matter of allotment of shares. Sir, the proposed institution is to be called 'The Travancore Credit Bank'; on the face of it, who can say that it is not essentially a Travancore concern. If it is essentially a Travancore concern, it necessarily carries with it the idea that there should be a provision

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[Mr. K. M. Korah.]

requiring preference to the shares to His Highness's subjects. Further, the provisions of the Revenue Recovery Regulation which are available only to the Government are, by this enactment, to be made available to this bank also. That is all the more reason why the concern must be essentially a Travancorean one. Further, the Bank will have to purchase and hold properties of defaulting debtors, properties on the security of which Travancoreans would borrow money from the Bank. That is another reason why the Bank should be essentially a Travancorean one. It is also proposed that the Bank should be empowered to issue debentures for an unlimited amount, on the credit of the State. I am definitely of the opinion that no non-Travancorean should be given the right to pledge the credit of our State; that should be an exclusive privilege of the subject of His Highness the Maharaja. I therefore hope that the House will accept my amendment.

Mr. Kayalam Parameswaran Pillai: Sir, I oppose the amendment. It has already been explained when the previous amendments were discussed that it will be the endeavour of Government to give preference to Travancoreans in the matter of allotment of shares, but at the same time it would be unwise to make any such statutory provision.

In regard to this amendment, I must say that the proviso as proposed is futile as it stands; because if it be the object of the mover, that the shares should as far as possible be held by Travancoreans, then he should have also made a provision to prohibit the transfer of the shares to non Travancoreans. To cite an example we know what happened to our Cardamom lands. Although Travancoreans alone were originally given these lands, now, practically all our Cardamom lands are in the hands of non-Travancoreans. Why? Because there was no restriction against the alienation of these lands to non-Travancorenas. Therefore, unless this proviso also adds that the shares shall not be transferred to non-Travancoreans the mover's object will not be achieved.

And, if that restriction also is added, surely, the value of the shares will go down as already explained. These shares will cease to have any value in the share market. We have no share market of our own; we have to go outside for share markets. In those share markets, if these shares are not transferable, they will not have any value; they will not be worth the paper on which the certificates are printed. Therefore it will be foolish to lay down in the statute that preference shall be given to Travaecoreans and that shares allotted to Travancoreans shall not be transferred to non-Travancoreans.

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In the light of the assurance already given however that preference will as a matter of fact be given to Travancoreans, I hope the member will withdraw the amendment.

President: There will also be other practical difficulties. Suppose a Travancorean who holds these shares wants to raise money on them. He will have to mortgage them. In cases of default, the mortgagee may have to dispose of the shares. And, that may not be possible if we impose any statutory restriction in regard to the holding of shares, by non-Travancoreans.

Mr. K. M. Korah: Sir, I withdraw the amendment.

The amendment was, by leave, withdrawn.

The question that clause 7 do form part of the Bill was put to vote and carried.

The clause was added to the Bill.

Clauses 8 to 17.

The question that clauses 8 to 17 do form part of the Bill was put to vote and carried.

The clauses were added to the bill.

Clause 18.

Mr. K. R. Elankath: Sir I beg to move the following amendment :—

Add the following proviso to sub-clause (*a*) :

"Provided that the total value of debentures thus issued shall not exceed ten times the nominal value of the shares already subscribed for."

Sir, the question of the issue of debentures, and the power of the Board to issue them, are matters which should be considered in all seriousness by this House. I quite realise that provision has been made for the careful scrutiny of the affairs of the Bank by the Government But one thing I should like to point out, namely, that in the Board, out of eleven members, six are going to be the representatives of the share holders, so that they form the clear majority in the Board. And I realise that two of them may be Government officers if the Government elect to do so. Only one is to represent the debenture holders. That being the constitution of the Board, especially since we are empowering the Board to issue debentures backed by Government guarantee, it is very necessary that there should be some restriction as to the maximum amount of these debentures. Sir, the Madras Land Mortgage Bank Act, V of 1932, says, in clause 4, that in no case shall the total amount of the

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[Mr. K. R. Elankath.]

debentures issued shall exceed the total amount due to the Bank by way of mortgages and other securities. Now, Sir, my amendment gives the Board wider scope than that allowed by the Madras Act I have referred to. The limit I have fixed far exceeds the total value of even the subscribed capital, not merely the paid up capital. I quite realise, Sir, that the Bank may attract deposits and may have other resources also. But, none of these can be relied upon by the Government in fixing the value of the debentures to be issued; because, these deposits may be withdrawn at any moment. There is no doubt, Sir, that a very large amount will be required for giving relief to the agriculturists of the country. It is in view of that that I have not restricted the maximum value of the debentures to the actual resources of the Bank. I only propose that there should be some definite proportion between the resources of the Bank and the value of the debentures issued. The Directors should not be allowed to issue debentures for an indefinite amount. There is no provision in the Bill as regards the rate of interest the agricultural debtor will have to pay to the Bank, nor the period he may be allowed for repayment of the loan. It is therefore highly necessary that some limit should be fixed so that the Board may not take it into its head to abuse or to misuse the power conferred on them to issue debentures. It may be argued that there is provision for the working of the Board being closely scrutinised by the Government, and the Government have the power to nominate their own officers to serve on the Board. Sir, it has been conceded on many occasions by the members on the other side that the officers of the Government are already overworked, so that it is very likely that they do not find time to bestow proper attention to this matter. I am therefore not at all optimistic about the provision for Government control. All things considered, I think it is desirable to fix a limit for the value of these debentures. I hope the House will consider the question seriously and carry my amendment.

Mr. Nedumangad R. Kesavan Nair: Sir, I beg to move the following amendment:—

> Add the following as sub-clause (*c*):
> "In no case shall the total amount due under the debentures so issued exceed the total amount due to the Bank on the mortgages and other securities due to the Bank."

Under clause 21, the Government guarantees the repayment of the value of these debentures to be issued by the Bank. It is therefore highly necessary that some limit is fixed in the statute itself as to the total amount for which debentures are to be issued. As was pointed out by my friend, Mr. Elankath, the Madras Act V of 1932

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makes a similar provision restricting the value of the debentures Clause 4 (2) of the Madras Act reads thus:

> "The total amount due on the debentures issued by the board (including those issued before the commencement of this Act) and outstanding at any time shall not exceed the total amount due on the Mortgages, the amounts paid thereunder and remaining in the hands of the board or of the trustee at such time and the value of all other assets transferred by the Mortgage Banks to the Central Mortgage Bank and subsisting at that time."

I deliberately left off the latter portion of the clause, in my amendment. I have no objection to the issue of debentures by the Bank, nor to the Government giving their guarantee to these debentures, but I am emphatically of opinion that some restriction as to the amount is absolutely necessary to guard against recklessness in the matter on the part of the Bank in issuing the debentures. Hence my amendment, to the effect that the amount due under debentures shall not exceed the amounts due to the Bank under Mortgages, etc. By this provision, safeguards could be made for the amounts borrowed by the Bank under debentures and consequently Government would not run any risk in guaranteeing the debentures. Hence I commend the above amendment for the approval of the House.

Mr. Kayalam Paramesvaran Pillai: Sir, I oppose the amendment. Let me first of all explain the scheme of debentures in this Bill, since I fear that the honourable members may have perhaps appreciated the essential difference between this and the scheme of debentures in the Madras Act which is held out as an example.

Under this Bill, the Bank cannot issue any debentures, not even for one rupee, unless they obtain the previous sanction of the Government. In the Madras Act it is open to the Board to issue debentures without the previous sanction of the Government. As it is open to the Board to issue debentures without the previous sanction of the Governmtnt, and as there would be Government guarantee for the debentures the maximum limit of the amount of the debentures has been fixed in the statute itself. On the other hand, as I have already stated, under this Bill, the Board cannot issue debentures even for one rupee unless they obtained the previous sanction of the Government; and, as Government give guarantee for these debentures, in every case the Government will, before according sanction to the Board for the issue of debentures, satisfy themselves as to whether it would be

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[Mr. Kayalam Paramesvaran Pillai.]

safe for them to accept the position of guarantors, and if so, up to what limit. Government will therefore certainly ascertain the assets of the Bank, before giving their sanction for the issue of any debentures.

Now, the only effect of the amendment proposed will be, that, having left it to the Government to sanction the issue of debentures, having trusted them to that extent, the House is not prepared to trust them further. The amendment will only show that the House suspects the soundness of the judgment of Government and is not prepared to trust it beyond a particular point. I cannot see the wisdom of that. If the House can trust the Government up to Rs. 2½ crores, as the effect of the amendment would be, I fail to see why the House should grow suspicious for a higher amount. If the Government can be given the discretion to guarantee up to Rs. 2½ crores, certainly, they can be given such discretion for a higher amount also.

Mr. Nedumangad R. Kesavan Nair: May I know whether there is any harm in imposing this restriction especially in view of the fact that the Law Member assures that, before giving their sanction to the issue of a debenture, the Government will take into account the assets of the Bank?

Mr. Kayalam Paramesvaran Pillai: Any such restriction will be illogical.

As I said, in Madras, it is left entirely to the Board to issue debentures; previous Government sanction is not necessary. That is why they have fixed the maximum limit for the issue of the debentures.

Mr. Nedumangad R. Kesavan Nair: Is not the trustee of the Madras Land Mortgage Bank an officer of the Government?

Mr. Kayalam Paramesvaran Pillai: May be; but he is not Government.

As I said, because the Bank in Madras is allowed to issue debentures, having the guarantee of the Government, but behind the back of the Government, a restriction has been imposed as to the maximum amount of the debentures. The position here is different. Previous Government sanction is necessary if the Bank wants to issue debentures even for one rupee. Therefore, no restriction as to the amount of these debentures is necessary here.

Mr. Nedumangad R. Kesavan Nair: Does not the Government guarantee the debentures issued by the Bank, under the Madras Act?

Mr. Kayalam Paramesvaran Pillai: Exactly, that is what I am saying. When Mr. Kesavan Nair issues debentures and wants me to guarantee them, naturally, I fix the limit beyond which

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he shall not go. But, when he takes my previous sanction before issuing any debenture, where is the necessity for my fixing any limit? When I find that he has exceeded the reasonable limit, I will simply withhold my sanction.

Mr. Nedumangad R. Kesavan Nair: Is there not a Registrar of the Government serving on the Board of the Bank at Madras and scrutinising these matters?

Mr. Kayalam Paramesvaran Pillai: There is, and he is there for a certain purpose. The fact remains that it is open to the Bank to issue debentures without the previous sanction or even knowledge of the Government; only they should not exceed a certain limit.

Mr. K. R. Elankath: Does the member concede that debentures should not be issued beyond the assets of the Bank?

Mr. Kayalam Paramesvaran Pillai: Yes, as a practical proposition, Government are guaranteeing all debentures; and, as a business body, they will see to it that the value of the debentures does not exceed the assets of the Bank. Why should there be a statutory provision for that?

Mr. K. R. Elankath: If the member agrees that the Government will see to it that the value of the debentures does not exceed the assets of the Bank, what is the objection to the proposed provision?

Mr. Kayalam Paramesvaran Pillai: It will be quite illogical considering the scheme of debentures in the present Bill. Any restriction as to the amount of the debentures need be put in only if the bank is empowered to issue debentures behind the back of Government.

Mr. R. V. Thomas: I support the amendment. It is only just and fair that at least some limit is fixed to the amount of the debentures to be issued by the proposed Bank. It is necessary especially in view of the fact that the debentures bear the guarantee of the Government.

Sir, the Law Member stated the amendment only showed that the House was not prepared to trust the Government. Sir, it is not a question of trust or distrust. It is a business proposition. We must be businesslike. Sentiment has no place here. We should scrutinise every provision in the Bill most carefully.

I would draw the attention of the House to the fact that there is no provision in the Bill for the building up of a reserve fund for the bank. Any one who knows the elementary principles of banking and finance, will admit that it is highly necessary to have

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[Mr. R. V. Thomas.]

a reserve fund to save the Bank when there is a run. Unfortunately, there is no provision for that in the Bill. In the absence of such a provision, there should be at least this provision now proposed by my honourable friends, the movers of the amendments.

Mr. Kottur Kunjukrishna Pillai: May I ask how there can be a run with regard to debentures ?

Mr. R. V. Thomas: The run would be made by the depositors and not by the debenture holders. We must be prepared for all contingencies ; otherwise, we might be in dangerous waters.

Mr. Kochikal P. Balakrishnan Tampi: Sir, I oppose the amendment. I am inclined to think that there is nothing so alarming as was depicted by my friend Mr. Thomas in regard to the issue of debentures. It is almost a contradiction in terms to say that there will be a rush on the debentures. It is to provide against such a contingency that debentures are being issued.

Mr. R. V. Thomas: A word of personal explanation, Sir. I did not say that there will be a rush on the debentures. What I said was that depositors may make a rush.

Mr. Kochikal P. Balakrishnan Tampi: That is certainly a contingency which we must avoid in the case of all banks. As a matter of principle of banking I accept that. In one instance I would even out-Herod Herod himself and go further than the Law Member and say that since the Government are guaranteeing the debentures there is no reason why debentures should not be issued on the guarantee of the assets of the bank as well as the assets of the Government. In fact it is the conjoint assets of the bank and the State that will be available as a security for the debenture holders. Therefore to restrict it to any fixed sum would not be wise at the present stage. And it will be less wise to incorporate it in this legislation because it is in the interests of all of us that we get money on very low interest so as to make available to the needy agriculturist. I am almost tired of repeating that word and I wish I could change the phrase. But there are several sentiments to the agriculturist and when it comes to the practical proposition of financing, some honourable members seem to place restriction upon it.

Now, since the capital will be 25 lakhs the debenture can be issued to the extent of only 25 lakhs if this amendment is accepted. Will that be sufficient ?

Mr. Nedumangad R. Kesavan Nair: Would not the 25 lakhs be loaned out and again another 25 lakhs be called for ?

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Mr. Kochikal P. Balakrishnan Tampi: I must confess my ignorance of the question and incidentally also confess my ignorance of high finance.

Anyway all that I wish to say is that there must not be any limit to the powers for issuing debentures. That will be restricting the working of the bank. When the Government guarantees the debenture holders, there is no doubt that the Government is the principal holding the largest shares of the bank and that they are the bankers. Only they are inviting other people to run the bank as they want business ability and push. To that extent they are inviting the co-operation of the public. Therefore there is no harm in allowing the clause to stand as it is. Therefore I oppose the amendment.

Mr. K. R. Elankath: Sir, I wish to make a few observations on the objections raised to this amendment. The Law Member concedes that the Government ought to issue and see that the debentures can never exceed the total assets of the bank. Now the question that remains is whether a discretionary power could be vested in such a private body as the shareholders of bank by a legislature which is concerned with the safety in the provisions of legislation enacted by it. I am surprised to hear from Mr. Balakrishnan Tampi that he would even go further and say that the assets of the State itself shall form the basis in the issuing of debentures. Unfortunately it may happen that the executive head of the administration at some time or other may hold the opinion that is now held by Mr. Balakrishnan Tampi. It may perhaps happen that my honourable friend Mr. Tampi may be elevated to the position of the head some time of the administration. In case such a dangerous contingency arises, then he would advise that the total assets of the State and even the expected resources of the State in future may be made the basis for issuing debentures. This will result in very great danger to the State and the people at large. The question is whether discretion in this case could be left in the hands of the Government, could not a better provision be made in the legislation. On these grounds I press the amendment.

President: Before putting the amendment to the vote of the House, I wish to say a few words in order to make the position clear. It will be noticed from clause 5 that the authorised share capital of the Bank will be one crore of rupees divided into shares of the nominal value of one hundred rupees. Of these shares, 25 thousand shares will be issued for subscription at the outset and in respect of these shares ten per cent of the value of these shall be payable on application for the shares and 40 per cent shall be payable on allotment; and the balance of 50 per cent shall be

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[President.]

payable thereafter on call made not earlier than six months therefrom. Therefore the assets of the bank are not only the money called in but also the money that can be called in. They must be regarded as the potential assets of the bank. Not only that. There will be the deposits. If there are long term deposits we can make calculations in reference to those deposits, say, for one or two or three years. When the loans are given out to farmers or agriculturists the bank takes properties as securities from those farmers. These may be collateral or other securities. In regard to the debenture issue, it may be noticed that clause 18 deals with the floatation of debentures. In addition to the Bank Government have matters of paramount importance to attend to ; they have several other things to do than to run this bank. Therefore it is not likely that the whole resources of the State are devoted or can be devoted on this bank. Therefore the debentures will be another form of public loan. And when Government guarantees the loan they will be sure to pay attention to the fact that all sureties may ultimately become principal debtors. To that extent they will regulate the issue of loans. At the same time it is unwise, in addition to the debentures and the deposits, to restrict the fertilising power of the bank. Having regard to the many obligations on Government they should not put all the eggs into one basket even though that basket is the agricultural credit bank. It will thus be impossible to fix statutorily any such maxima as are sought to be imposed.

The amendment was put to vote and lost.

Mr. R. V. Thomas : I demand a poll.

A poll was taken with the following results :

AYES—5.

1	Mr. M. S. Anirudhan	4	Mr. R. V. Thomas
2	,, K. M. Korah	5	,, K. R. Elankath
3	,, N. V. Chacko	6	,, Nedumangad R. Kesavan Nair

NOES—24.

1	Mr. C. V. Chandrasekharan	8	Rao Bahadur A. Rengaswami Aiyar
2	,, K. N. Govindan	9	Mr. S. Sesha Aiyar
3	Rajya Raksha Pravina R. Pitchu Aiyangar	10	,, James Simpson
4	Rao Bahadur Rajyasevanirata Dr. N. Kunjan Pillai	11	,, N. Abdur Rahiman Sahib
5	Mr. K. R. Narayana Aiyar	12	,, Erric Hall
6	,, K. Paramesvara Panickar	13	,, P. I. Simon
7	,, Kayalam Paramesvaran Pillai	14	,, T. Mahomed Ismail

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15	Mr. Kottur Kunjukrishna Pillai	20	Mr. Kochikal P. Balakrishnan Tampi
16	,, James Fletcher	21	,, M. K. Ananthasiva Aiyar
17	,, P. R. Goda Varma Raja	22	Mrs. Aberanam Jnanasikhamony
18	,, V. S. Arumukham Pillai	23	Mr. Kallur Narayana Pilla
19	,, Padiyara Joseph Kunju	24	,, G. Narayana Aiyar

NEUTRALS—3

1	Mr. T. K. Kitten	3	Mr. Abdul Tayeb Sheikh Kaderbhoy
2	Mr. K. K. Kuruvilla		

The amendment was declared lost, 6 voting for the amendment, 24 against and 3 remaining neutral.

The question that clause 18 do stand part of the Bill was then put and carried.

The clause was added to the Bill.

Clause 19 and 20.

The question that clauses 19 and 20 do stand part of the Bill was put and carried.

The clauses were added to the Bill.

Clause 21.

Mr. Nedumangad R. Kesavan Nair : Sir, I move that clause 21 be amended as follows :—

"*21 (a) The principal of and interest on the debentures issued under Section 18 shall carry the guarantee of our Government to such maximum amount as may be fixed by Government.*

(b) The Government may after consulting the legislature increase the maximum amount of guarantee given under clause (a).

(c) The Government may after consulting the board, and after notifying in the Gazette discontinue any guarantee given by them or restrict the maximum amount thereof or modify the conditions subject to which it is given, with effect from a specified date not earlier than 6 months from the date of publication of the notification in the Gazette.

Explanation.—Nothing contained in sub-clause (c) shall affect any debentures issued prior to the date on which such discontinuance, restriction or modification is proposed."

My object in bringing this amendment is substantially the same as was submitted while I was moving my amendment in respect of clause 18. According to clause 21 Government undertakes

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[Mr. Nedumangad R. Kesavan Nair.]

the responsibility of guaranteeing the debentures issued. I wish to minimise the risk that Government run in such guaranteeing. By the amendment the guarantee is specified to a certain extent which may be increased by Government after consulting the legislature. This is certainly reasonable and I hope this would commend itself favourably to the House.

All that I want to emphasise is that the maximum amount to which guarantee is given may be stipulated by Government. It is nobody else's concern, but it is entirely for the Government to stipulate it in the first instance. If Government finds that there is necessity to increase the amount of debentures, they could then do it. The amendment that I want to insert to clause 21 reads as clause 21 (b).

> "The Government may after consulting the Legislature increase the maximum amount of guarantee given under clause (*a*)"

So then, if my amendment namely clause 21 (a) is taken into consideration, the maximum amount up to which Government guarantee cold be given has to be fixed. In addition, if under any circumstances Government wants to increase the guarantee, the Legislature must be fully appraised of it, when we can offer our remarks. The other amendment suggested to clause 21 reads thus : in clause (c).

> "The Government may after consulting the Board, and after notifying in the Gazette discontinue any guarantee given by them or restrict the maximum amount thereof or modify the conditions subject to which it is given, with effect from a specified date not earlier than 6 months from the date of publication of the notification in the Gazette."

This amendment is intended to avoid Government running unforeseen risks. Suppose, Government guarantee is given to certain amounts to a certain extent. After that if things look ugly for the bank Governments' position should be safe. If there is this saving clause, the Government are enabled to adjust their guarantee for future debentures. Only Government will have necessarily to give the party 6 months' notice prior to the date on which their guarantee is proposed to be withheld. The House will note that by all these amendments (*a*), (*b*) and (*c*) it is meant to restrict the guarantee given by Government to the debentures, of course without interfering with the debentures already issued.

The Law Member said that by bringing these changes this House distrusts Government and all that. He has requested the House to leave everything to Government and to trust Government. Then why should the Bill be considered here at all ? I submit, Sir, then what is the necessity of calling us to have a general discussion on the budget. Why not trust the Government and leave everything to them. What is the necessity for us to function in

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the Finance Committee or in the Public Accounts Committee. That is no argument. We also should have a voice where Government moneys are involved and our suggestions have to be looked into. The question of distrust by the House does not arise. We have absolute confidence in Government. But we appeal to Government that they should also take us into their confidence. We have considered the Bill and we have given notice of amendments and they have been admitted; why ask us to leave everything to Government. we have to ventilate our view points ; no matter if Government accepts them or not. Our suggestions are made after due consideration. That is what we have done, are doing and propose to do. So the question of trust or distrust in Government does not at all arise and if the amendments are reasonable they have to be adopted.

Another argument advanced by the Law Member is that if this amendment is put in, then the clause becomes illogical. Let us not look so much for these trivial objections. For example, in the preamble the wording is that this bank is also constituted for "*other purposes*" over and above the one mentioned in it. Let us not see how the sentences are worded technically. Since we can effect the necessary correction so that we may bring them in conformity with other clauses. Our object is to see that Government do not additionally run any risks. We perfectly allow Government to issue debentures and so long as Government undertake to guarantee them they should not run any additional risks. For this very purpose, a clause as suggested by me is adopted from the Madras Act.

President: I do not find the wording "other purposes" in the Preamble to the Travancore Credit Bank Bill. Probably the member is referring to the Short Title ?

Mr. Nedumangad R. Kesavan Nair : Yes, Sir.

My amendments to clause 21 have been taken from the Madras Land Mortgage Bank Act.

Again, another argument advanced by the Law Member is that Government have absolutely no control in the issue of debentures. But the Government undertakes to guarantee payment for them. On a perusal of the Madras Act, it will be seen that the Registrar of Co-operative Societies of the Madras Government is also a member of the Board. There is also a specific stipulation that the debentures shall not be issued without the sanction of the Registrar who is an official. The opinion of the Government of Madras could be ventilated through their Registrar. Thus in Madras so long as there is a Gevernment officer, subject to the control of the Government, subject to the dictates of Government, who could have some control in the issue of debentures, Government do not run any risk in the matter of guarantee, Under such circumstances I ask, so far

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[Mr. Nedumangad R. Kesavan Nair.]

as this particular provision of the Bill is concerned, what is the difficulty of Government in putting this saving clause, here also so that our Bill may be brought in conformity with the Madras Act.

Mr. M. S. Anirudhan: Sir, I move the following: Add the following proviso to clause 21.

"Provided that such guarantee shall be limited to an amount not exceeding one crore of rupees.

The principal of, and interest on the debentures issued under Section 18 shall carry the guarantee of Our Government:

Provided that such guarantee shall be limited to an amount not exceeding one crore of rupees."

Mr. Kochikal P. Balakrishnan Tampi: I think this amendment is not in order because it delimits the power of Government.

President: Mr. Anirudhan's amendment is not in order. But he may speak on the amendment of Mr. Kesavan Nair.

Mr. M. S. Anirudhan: Yes, Sir. I support the amendment. It is only after the approval of Government debentures are issued. There is also the Government guarantee. It is desirable to put a limit on the powers of Government in respect of guarantee offered by the Government. If it is found that there is more demand for the issue of debentures the board may bring the matter to Government's notice who in turn will consult the legislature. Then there is an opportunity for us to go into the whole question and do the needful.

Mr. Kayalam Paramesvaran Pillai: I oppose the amendment. The House has already accepted the principle that the debentures may be issued by the Board only after the sanction of Government is obtained and that the Government may sanction to an unlimited amount. In other words what has been accepted is that the sanction of Government shall not be limited by any provision. Having accepted that, it seems to me that the present amendment is quite out of place. The provision in the Madras Land Mortgage Bank Act cited by Mr. Kesavan Nair has no relation whatever to the provision of our Bill. As I said on a previous occasion, in Madras, the debentures can be issued with the sanction of the trustees and the Registrar. But the sanction of the Registrar is not the concurrence of Government. The Registrar in Madras need not consult the Government in giving his sanction. In otherwords the board there is a non-governmental body; it is non-governmental in the sense that debentures can be issued even without Government knowledge. That being so, some safegaurds are necessary so far as Madras is concerned. The extent to which the debentures may be issued and all such

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things have to be provided. To put it in a concrete way there, 'A' sanctions the debenture and 'B' guarantees, A being the Registrar and B the Government, when a statute is enacted with such a provision, some limitation has to be put on the amount to which sanction may be given by A.

Mr. Nedumangad R. Kesavan Nair: May I ask, is not A subject to the control of B?

Mr. Kayalam Paramesvaran Pillai: No, as contemplated in the Act. In the performance of a statutory duty, the Registrar is not controlled by Government. The Statute gives him power to exercise his discretion and therefore he need not seek the orders of Government.

Mr. K. R. Elankath: Then, is he not an official representing Government?

Mr. Kayalam Paramesvaran Pillai: No.

Mr. R. V. Thomas: Then, am I to understand that he is giving sanction in a private capacity?

Mr. Kayalam Paramesvaran Pillai: He is not carrying out the dictates of Government. The Registrar gives sanction for the issue of debentures as he has been nominated to do so by the Act. Thus the provisions of the Madras Act are entirely irrelevant for our purpose.

It was then stated that the Legislature must be taken into confidence by Government. I ask, is not this House consulted when Government wants to *spend* money? In respect of debentures wherein only a guarantee is given, no money is spent by Government.

Mr. Nedumangad R. Kesavan Nair: May I ask, does the guarantee involve that the spending will not be misplaced?

Mr. Kayalam Paramesvaran Pillai: The primary liability is on the assets of the Bank.

Mr. Nedumangad R. Kesavan Nair: Could not liability be evaluated?

Mr. Kayalam Paramesvaran Pillai: Not, until it actually arises.

What I am pointing out is that the Government are not necessarily called upon to spend money, because, they sanction the issue of debentures. Whatever be the amount involved, the Government will not be called upon to spend one pie unless Government by overseeing wrong judgement sanctions debentures recklessly. The discretion of Government in sanctioning the debentures need not be fettered. And if any debenture is issued with the sanction of Government it is only right that Government should guarantee these debentures.

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President : The question before the House is that.—

"21 (*a*) The Principal of and interest on the debentures issued under Section 13 shall carry the guarantee of Our Government to such maximum amount as may be fixed by Government.

(*b*) The Government may after consulting the Legislature increase the maximum amount of guarantee given under clause (*a*)

(*c*) The Government may after consulting the board, and after notifying in the Gazette discontinue any guarantee given by them or restrict the maximum amount thereof or modify the conditions subject to which it is given, with effect from a specified date not earlier than 6 months from the date of publication of the notification in the Gazette.

Explanation : Nothing contained in sub-clause (*c*) shall affect any debentures issued prior to the date on which such discontinuance, restriction or modification is proposed."

be accepted·

The amendments were put to vote and lost.

The question that clause 21 do stand part of the Bill was then put to vote and carried.

The clause was added to the Bill.

Clause 22.

The question that clause 22 do stand part of the Bill was put to vote and carried.

The clause was added to the Bill.

Clause 23.

Mr. R. V. Thomas : I move the following.

Add the proviso "No coercive steps will be taken unless three consecutive due payments are defaulted by the debtor" be added.

Mr. Kayalam Paramesvaran Pillai : Sir, I rise to a point of order. Clause 23 lays down the method of procedure to realise the dues of the Bank. The proposed amendment refers to the circumstances under which amounts may be considered to have become due. I doubt whether it will be relevant.

President : Mr. Thomas will proceed.

Mr. R. V. Thomas : We do not know what the clause in the agreement will be. I would like to impress upon the members of the House the hardship that will be put on the debtors by the omission of the proposed proviso. Loans are granted on condition that the same will be repaid in instalments spread over several years. If for some cause beyond the control of the debtor one particular instalment happens to be defaulted, under the Revenue Recovery Regulation the whole consolidated future instalments can be recovered by the Bank. I would like to make it clearer by an illustration.

Mr. M. K. Ananthasiva Aiyar : May I know where it is stated that the whole consolidated instalments will be recovered in a lump ?

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Mr. R. V. Thomas: If the Bank says that if you default one instalment we should be given the power to recover all the remaining instalments in a lump, the debtor would agree to it because then only he would get the money. To avoid such a contingency I am moving this amendment. If there is a statutory provision that the Bank cannot recover the consolidated future instalments in a lump, whatever may be the terms of agreement, the Bank will not be able to enforce that. It is for the interest of the debtor, particularly the agricultural debtor, that the Bank is primarily intended. In case a loan of Rs. 10,000 is advanced to a debtor to be repaid in 30 instalments spread over 15 years, for some unforeseen circumstances the debtor may not be able to pay one instalment, and the Bank will enforce the terms of the agreement and take summary proceedings granted by the Bill to recover the whole consolidated future instalments. In such a case the very purpose for which the Bank is brought into existence would be nullified. The debtor will have to sell all his properties for the default he has made once. It is to prevent such very dangerous circumstances that I move this amendment.

Mr. Padiyara Joseph Kunju: എത്ര തവണമുടക്കാവ ത്തിയാലും നിർബന്ധനടപടി നടത്തുവാൻ പാടില്ലാ എന്നൊരു ഭേദ ഗതികൊണ്ടു വന്നാൽ മെമ്പർ അതിനെ പിൻതാങ്ങുമോ?

Mr. R. V. Thomas: I do not say that. Such an amendment is not now before the House.

Mr. Padiyara Joseph Kunju: അങ്ങനെ ഒരു ഭേദഗതി കൊണ്ടു വന്നാൽ മെമ്പർ അതിനെ പിൻതാങ്ങുമോ?

Mr. R. V. Thomas: I am not going to give any answer to that.

Mr. Kayalam Paramesvaran Pillai: I have to oppose this amendment although I can sympathise with many of the sentiments expressed by Mr. Thomas. All that clause 23 lays down is that whenever a default is made and money is due, such amount may be recovered by resorting to the Revenue Recovery Regulation. As to *when* the money should become due, that must arise out of the provisions of the bond that may be executed by the debtor. When the bond is executed provision will be made as to the circumstances under which alone the entire amount may be considered to have fallen due. If the Bank is of opinion that on the default of three instalments alone should the whole amount be deemed to have become due and recoverable then it can do so.

Mr R. V. Thomas: May I know whether when the rules are framed, this particular provision will be made?

Mr. Kayalam Paramesvaran Pillai: I cannot guarantee it. I am only saying that whatever amounts are due as a matter of fact under the terms of the bond as it is must be allowed to be recovered under the Revenue Recovery Regulation. The suggestion

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[Mr. Kayalam Parameswaran Pillai.]

made by Mr. Thomas is that if there are instalments defaulted the entire amount should be recoverable only if three instalments are defaulted. The reply to this is that it may be left to the Board to make bye-laws with regard to all such things. I have little doubt that the debate in this House will be taken note of by the authorities concerned.

The amendment was put to vote and lost. The question that clause 23 do form part of the Bill was put and carried.

The clause was added to the Bill.

Clause 24.

The question that clause 24 do form part of the Bill was put and carried.

The clause was added to the Bill.

Clause 25.

Mr. Nedumangad R. Kesavan Nair: Sir, I move the following amendment to clause 25 :—

Add "The property so purchased shall be sold by the Bank within such period as may be fixed by the Government."

The object of the Bank being primarily to issue long term loans, any tendency on the part of the Bank to acquire or own lands should be deprecated. This is the clause that has been adopted in the Madras Land Mortgage Bank Act. If this and the amendment of Mr. Thomas noted along with my amendment are taken to consideration together the House will find that no very serious impediment is sought to be placed on the working of the Bank. The relevant section of the Madras Land Mortgage Bank Act is Section 19. The President of the Madras Land Mortgage Bank, Dewan Bahadur M. Ramachandra Rao, who was co-opted as a member of the Legislative Council, Madras, for the above Bill in an excellent article regarding the bank acquiring properties says thus :—

"There is no intention of permitting Mortgage Banks to accumulate in their hands by sales and purchase at such sales large extents of immovable properties. In fact a contrary intention has been expressed in the Bill which provides that if immovable properties are purchased by mortgage banks they must be disposed of within a time fixed by the Registrar. This is in accordance with western precedents Land Mortgage banks should not like the ordinary sowcars be open to the temptation of having an eye on the purchase of properties of their borrowers and becoming land holders except for the purpose of realising their dues."

I do not think that any further elucidation is necessary than this opinion that is quoted and I wish that this amendment be accepted.

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Mr. M. S. Anirudhan: I do not move my amendment but I support the amendment of Mr. Kesavan Nair. The object of this amendment is that the policy of the Bank to acquire property should be discouraged. Generally, we find that when amounts are advanced on immovable properties we get back the amount very seldom in cash. When such immovable properties are purchased by the Bank it is desirable and it is in the interest of the Bank to see that such properties are disposed of at the earliest opportunity.

Mr. R. V. Thomas: Sir, I move the following amendment:—

Add the proviso "The Bank shall re-sell the property so purchased to the seller if he or any one on his behalf deposits the whole amount due to the Bank in respect of the loan including the cost of recovery etc., within six months of such purchase."

Under Section 23, it shall be competent to the Bank to purchase any property sold under the authority conferred by Section 23. My amendment is that a proviso be added that the property so purchased shall be re-sold by the Bank to the debtor if he deposits within six months the whole amount due to the Bank including the cost of recovery, etc. The purpose of the amendment is to safeguard the debtor. As I have already mentioned in connection with a former amendment, under the Revenue Recovery Regulation the Bank can very easily bring any land under its control for a default of instalments.

That is, the bank is given the additional power to buy the same property. When a loan is granted by the Bank to any person he will have to furnish immovable property of a very solvent nature as security. Suppose a debtor has to get a loan of Rs. 1,000. Under ordinary circumstances the Bank will assess the value of the property to be mortgaged. We can rest assured that the Bank will not overvalue the property to be mortgaged. If thousand rupees is to be loaned out, surely, the bank would require security worth Rs. 2,000. So the debtor has to furnish security of im movable property to the value of Rs. 2,000, to get Rs. 1,000 as loan. When the instalment is defaulted the Bank can proceed against the property under the Revenue Recovery Regulation and itself purchase the property. Perhaps the Bank may purchase the property for Rs. 100, and sell it to a stranger for Rs. 200. What is the guarantee that this will not take place?

Mr. T. K. Kittan: (*Vaikam, Kottayam and Changanachery* cum *Peermade*): ഇവിടെ കുറെ സംഖ്യയുടെ കണക്കു പറഞ്ഞു. ൫൦൦൦ രൂപായുടെ കടത്തിനു ൬൦൦൦ രൂപായുടെ വസ്തു ഈടു കൊടുക്കണം എന്നുവിചാരിക്ക. ആ തുക കൊടുത്തു തീക്കാൻ നിവൃത്തി ഇല്ലാതെ വരുമ്പോഴാണ് ബാങ്ക് നടപടിനടത്തി വസ്തു കൈവശപ്പെടുത്തുന്നതു. അങ്ങനെ കൈവശപ്പെടുത്തുന്ന വസ്തു ആറു മാസം വച്ചുകൊണ്ടിരിക്കണമെന്നാണ് മെമ്പർ പറയുന്നതു. അതെങ്ങനെ സാധിക്കും?

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Mr. R. V. Thomas: If at all that property is sold it should be sold to the original debtor so that he may have the benefit of recovering the property back on payment of Rs. 100 and the charges of recovery, interest, etc. That favour should be given to the debtor. Mr. Kittan is asking why the Bank should keep the property for six months.

Mr. T. K. Kittan : ബാങ്കിന് അങ്ങിനെ വസ്തു വാങ്ങിക്കണമെന്ന നിർബന്ധമില്ലല്ലോ. കടക്കാർ കടിശിഖ വരുത്തീട്ടാണ് വസ്തു വാങ്ങിക്കേണ്ടതായി വരുന്നത്. മുന്ന പ്രാവശ്യം വീഴ്ച്ചവരുത്തിയാലേ നടപടി നടത്താവു എന്നാണ് പറയുന്നത്. ഒരു പ്രാവശ്യം മുടക്കം വരുത്തിയാലും നടപടി നടത്തണമെന്നാണ് എന്റെ അഭിപ്രായം. ഇവിടെ 5 കോടി രൂപായുടെ കടമാണുള്ളത് .ഇതെങ്ങനെ തീരും?

President: Order, Order. The honourable member may make his observations later on.

Mr. R. V. Thomas: Sir, the honourable member is under the impression that I said that the bank should keep the property for six months. What I said was that in case the bank is the purchaser the debtor must be given the option to re-purchase the property from the Bank if he is able to find the money within six months. In that case the Bank will not be the loser in re-selling the property by taking from the debtor the recovery charges and the interest. Those who are familiar with the Civil Court's Procedure may find time and again, not in these days, but sometime back before the Agricultural Relief Bill came into force, that every day properties were purchased by decree holders for nominal values. In this case, there is the greater danger. The bank can recover all these things under a summary procedure under the Revenue Recovery Regulation. The Bill empowers the Bank to purchase and own properties. So if the bank purchases and owns the properties of debtors, the debtors may be given the option to re-purchase the property if they are able to deposit the money within six months of the purchase. I hope the honourable members of the House would appreciate this view.

Mr. Padiyara Joseph Kunju : വസ്തു ലേലം ചെയ്ത ആറു മാസം വരെ ആ ലേലം സ്ഥിരപ്പെടുത്താതെ വച്ചുകൊണ്ടിരിക്കണമെന്നാണോ പറയുന്നത്?

Mr. R. V. Thomas: My amendment is operative only if the Bank is the purchaser of the property. If a stranger is the purchaser I do not insist that the debtor should be shown the same concession.

Mr. Padiyara Joseph Kunju: മറ്റൊരാൾ ലേലത്തിൽ പിടിക്കുന്നതിനു ഒരു നിയമവും ബാങ്ക് ലേലത്തിൽ പിടിക്കുമ്പോൾ മറ്റൊരു നിയമവും വേണമെന്നാണോ മെമ്പർ ആവശ്യപ്പെടുന്നത്?

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Mr. R. V. Thoms: I do not say anything more. This is my view.

Mr. T. K. Kittan : സർ, പണം കൊടുക്കുന്നതിനു നിവൃത്തിയില്ലാതെവരുമ്പോഴാണല്ലൊ ബാങ്ക് നിർബന്ധനടപടി നടത്തുന്നതു്. അങ്ങനെ നടപടി നടത്തി കണ്ടുകെട്ടുന്ന വസ്തുക്കൾ ആറുമാസം വരെ ആ കടക്കാരനുവേണ്ടി ബാങ്ക് കൈവശം വച്ചുകൊണ്ടിരിക്കുന്നു എങ്ങനെയാണു്. ഈ തത്വം സ്വീകരിച്ചു കഴിഞ്ഞാൽ ആറു മാസത്തേയ്ക്കു ബാങ്കിലെ ഈടുവസ്തുക്കളെയെല്ലാം ബാങ്ക് സൂക്ഷിക്കേണ്ടതായി വരും. പിന്നെ ബാങ്ക് എങ്ങനെ നടക്കുമെന്നു എനിക്കു മനസ്സിലാകുന്നില്ല. ബാങ്കിനു പണം ശരിയായി ഈടാകുന്നില്ലെങ്കിൽ നടപടി നടത്തി അതു് ഈടാക്കണം. ഈ ബാങ്ക് എന്നു പറയുന്നതിൽ മുക്കാലും ഗവണ്മെൻറാണ്. ജനങ്ങളുടെ സൌകര്യങ്ങളെ പ്രത്യേകം ശ്രദ്ധിക്കാമെന്നു ഗവണ്മെൻറു പല പ്രാവശ്യവും പറഞ്ഞിട്ടുണ്ടു്. അതനുസരിച്ചു് ഈ കാര്യം നടപ്പിൽ വരുത്തുകയാണു വേണ്ടതു്. ഈ ബാങ്കിൽനിന്നും കടമെടുത്തു മറ്റു കടങ്ങൾ തീർക്കാമെന്നു ആശിച്ചിരിക്കുന്നു. അതുകൊണ്ടു വലിയ വാദപ്രതിവാദത്തിനൊന്നിനും ഇടകൊടുക്കാതെ ഇതു ഉടനടി നടപ്പിൽ വരുത്തുകയാണു ചെയ്യേണ്ടതു്.

സകല ന്യൂനതകളും തീർന്നതായി യാതൊരു നിയമവും കാണുകയില്ല. നിയമത്തിന്റെ ന്യൂനത പരിഹരിക്കുന്നതിനാണു ബൈലാകളും റൂളുകളുമൊക്കെ ഉണ്ടാക്കുന്നതു്. അതിനാൽ നിയമത്തിലെ എല്ലാ ന്യൂനതയും നാം ഇപ്പോൾ പരിഹരിക്കുവാൻ ശ്രമിക്കേണ്ടാ. ഇതിനും പുറമേ കടം വാങ്ങിക്കുന്നവർക്കു് ആദ്യമേതന്നെ വിട്ടുവീഴ്ച ചെയ്യാമെന്നു ഒരു ഉറപ്പു നൽകുന്നപക്ഷം ബാങ്കിനേയ്ക്കു് ഈടാകേണ്ട പണം ശരിയായി ഈടാവുകയില്ല. അതിനാൽ നിയമം കർശനമായിത്തന്നെയിരിക്കണം. ഇതിലേയ്ക്കു ഇത്രയൊന്നും വാദപ്രതിവാദം നടത്തേണ്ട ആവശ്യമില്ല.

Mr. K. R. Elankath : Sir, I rise to support the amendment brought forward by Mr. R. V. Thomas and at the same time to oppose the amendments of Mr. R. Kesavan Nair and Mr. M. S. Anirudhan. The first amendment says that the property shall be sold within such reasonable period as prescribed by Government. The second amendment is also of the same purpose. We cannot view with any favour the opinion that the bank should not wait to get a reasonable price for the property to be sold. There is another difficulty or inconvenience in agreeing to the view. Suppose there is a beautiful site for a building which is mortgaged to the Bank. And if the Bank wants to put up a building there why should a provision stand in the way of the Bank purchasing and retaining the ownership of the site.

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[Mr. K. R. Elankath.]

There were also observations made by Mr. Joseph Kunju by way of interpellations suggesting whether it would be proper and reasonable to allow the transactions to be suspended or to wait six months before confirmation of the sale is effected. I do not see any reason why such a course should not be adopted. Even according to the Revenue Recovery Regulation, in selling a property by auction a period of one month or thirty days is given for the confirmation of the sale even if the purchaser is an outsider and not the Government. The Civil Procedure Code also provides for the same. Now, Sir, according to the clause provided in the Revenue Recovery Regulation there is one month's time given. Is it then too much to ask for six months for the overburdened debtor to redeem his property if he could. Moreover, he will be obliged to pay all the charges of recovery and interest. And the Bank, thereby will not become a loser. Sir, the amendment of Mr. R. V. Thomas is as follows:

"The Bank shall re-sell the property so purchased to the seller if he or any one on his behalf deposits the whole amount due to the Bank in respect of the loan including the cost of recovery, etc., within six months of such purchase."

Sir, this is a very harmless amendment. Is it not reasonable to ask of the Bank that 6 months may be allowed? As Mr. Thomas very pertinently suggested that there may be occasions when the debtor is hard pressed for money and then he may default his payments. In such cases to dispossess a debtor of his property by selling it at a price which may be one-tenth of what the property may fetch in an ordinary market. As indicated by the honourable member probably, the property may go for this paltry sum to a person on whom the officers of the bank may have some interest. So I request the House to consider this amendment and accept it.

Mr. Kottur Kunjukrishna Pillai: Sir, I oppose all the amendments moved. It need hardly be stated that the purpose of these legislative provisions is to enable the Bank to work successfully and not to make as many clogs and difficulties in the working of it and making it ineffectual. Sir, once we grant that the Bank is a necessary institution, on the prosperity of which rests the helps that will be rendered to the agriculturists, it has to be admitted that, that institution has to be supported with adequate legislative provisions. Sir, if from this point of view we look at these amendments it will be patent to anybody, when he reads the amendment of Mr. Kesavan Nair, that the effect if that amendment is accepted is to make the Bank unworkable, because it says that the Bank must be asked to sell the property that it gets in lieu of money due to it within a specified time for any price that it can fetch. A very mischievous provision if it is accepted, it will result in the Bank being closed down as early as possible. If that is the object, of course, that amendment can be accepted. The amendment

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of Mr. Anirudhan has not been moved and therefore I do not wish to say anything on it. But the effect of Mr. R. V. Thomas's amendment is not so very patent as it is in the case of the amendment of Mr. Kesavan Nair, but it is no less mischievous, because we find that that amendment seeks to discriminate between an individual purchaser who goes there to get the property for profit and the Bank and gives him an advantage over the Bank, that came to the help of the debtor in time of need and which exists for the purpose of fostering and helping the agricultural debtors who are in need. The Bank should not be reimbursed and it is said should not be given equal powers with a private speculator who comes to purchase the property at a cheap price. I cannot understand the equity or the justice or the fairness of that contention. The Bank is to be proped up and strengthened for the benefit of the agriculturists.

Mr. K. R. Elankath: Can it be to the detriment of the poor ryot?

Mr. Kottur Kunjukrishna Pillai: No it should be not for helping one agriculturist or another but it should be for the common benefit of the whole agricultural population. If you are standing for the common benefit of the whole of the agriculturist, it must be conceded that the Banking Institution must be enabled to work efficiently. You should not put clogs on it. You should not discriminate against it. You should not look at it as an enemy as an intruder and put severe conditions on the Bank which you are not going to put on any private speculator who comes to purchase the property for private profit. How can you justify discriminating a Bank which benefits the agriculturists and which stands to benefit the agriculturists and whose welfare is a guarantee for the help in times of need to the agriculturists? That Bank is sought to be discriminated against and a private purchaser is sought to be put in a better position than the Bank itself. I cannot understand the logic, the fairness or the equity of it. Sir, we should approach the whole legislation from this simple point of view—whether we want to see that the Bank prospering or whether we want to see that the Bank does not prosper.

Mr. K. R. Elankath: May I know from the member, whether the advantage of having this clause is more beneficial to the debtor than the disadvantage that the Bank may have by having this provision?

Mr. Kottur Kunjukrishna Pillai: Sir, there is no question of comparing it and weighing it in a nice balance. You have to look at the question of the common relief of the agriculturists or the debtors or the intending investors as a class, as a whole. A bank is not intended for individuals. It is intended for the common people. It is intended for the purpose of maintaining and fostering the economic standards of the common people of the land so that the institution is not to be looked at as an enemy of the common people.

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Mr. R. V. Thomas: May I know from the member whether he wants this institution to work as a profiteering concern ?

Mr. Kottur Kunjukrishna Pillai: I want the institution to work not as a losing concern and I do not want that it should be closed down. I want that it should work energetically and efficiently so that help will be forthcoming for all people who are in need in future also. I do not want to close down the Bank and I do not expect or intend that it should do so after distributing by way of loans some lakhs of rupees to certain individuals and refraining from getting that amount from them and showing a sort of lip sympathy and neglecting the common interests of the country. If we look to the common interests of the country it will be conceded that the Bank must exist and must work efficiently and for that every help must be given to the Bank and every provision must be enacted with a view to see that real and substantial help is rendered to those who are in need. Therefore by supporting the provisions enabling the Bank to work successfully you are really supporting the interests of the agriculturists. Those who say that one or two individual agriculturists must be saved at the expense of the Bank are not really safeguarding the common interests of the country. With these few observations I oppose the amendment.

Mr. P. I. Simon (*Municipal Councils*): Sir, I oppose the amendment. First of all, the scheme of the Bill, if examined, will show that it is not one of the objects of the Bank to become a landholder. It shall only be as a last resort that the Bank will become a purchaser of property in auction sale under the Revenue Recovery Regulation. If the Bank is constrained to purchase the property it may be perhaps in lieu of all the money due or a part of the money due to them and then there may be a surplus left still to be realised from the debtor. So these conditions ought to be taken note of when considering the condition after the Bank becomes the purchaser of a property. When the Bank becomes the purchaser of a property, it is under the provisions of the Revenue Recovery Regulation. The Revenue Recovery Regulation I may submit provides for the setting aside of sales. All the provisions of the Revenue Recovery Regulation are made applicable to this Bank by the provisions in Chapter VI. We are dealing with the last of those provisions. There is a provision in the Revenue Recovery Regulation which says that the sale shall be set aside if within 30 days of the auction either the owner of the property or a person having some interest in the property deposits all the money due to the Government under arrears of revenue. This provision in the Revenue Recovery Regulation will go counter to the period of six months that Mr. Thomas has introduced in his amendment.

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Therefore at this stage when we have finished with the provisions relating to the applicability of the Revenue Recovery Regulation, I submit that this amendment is out of order and that the amendment cannot be considered now. The Revenue Recovery Regulation provides specifically for such a contingency. I therefore would submit that clause 25 as it stands is only an enabling provision which the Bank may have recourse to as a last resort.

Mr. R. V. Thomas: May I know from the member whether under the Revenue Recovery Regulation the Bank is compelled to buy?

Mr. P. I. Simon: The Bank will be compelled to buy property during auction when there are no bidders to buy or the Bank thinks that the money will be realised only by its becoming the purchaser of the property.

Mr. Nedumangad R. Kesavan Nair: May I know from the member whether there is anything precluding the Bank from bidding if there are other bidders?

Mr. P. I. Simon: If there are other bidders prepared to pay adequate price for the property there is nothing precluding the Bank from permitting the property being purchased by other bidders. But if on account of the paucity of bidders prepared to purchase the property for the entire amount due from the debtor the Bank is compelled to become the purchaser of the property it is only in such cases that this question can arise.

Mr. G. Narayana Aiyar: May I know from the member whether it is possible for the Government to fix a reasonable period within which the property should be sold?

Mr. P. I. Simon: It cannot at all be possible for Government to do it, because when the Bank becomes the purchaser of a property that property shall form part of the general assets of the Bank and it shall be dealt with in virtue of the general powers of the Board. Therefore the question of dealing with whatever becomes the property of the Bank will be in virtue of the general powers that are vested in the Board. I should think that we have already dealt with all those provisions by which the Directors or the Board have got control or have got disposing power over the general assets of the Bank

Mr. Nedumangad R. Kesavan Nair: Has not Government reserved certain powers by which they can dictate terms to the Directors?

Mr. P. I. Simon: In certain cases, not in cases where the Bank becomes the purchaser of certain properties on account of the default by the debtors. I therefore would say that when under the

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[Mr. P. I. Simon.]

ordinary provisions of Section 25 it is competent for the Bank to become the purchaser of a property, the Directors of the Bank alone are the proper persons to judge when and how such property shall be disposed of.

Mr. R. V. Thomas: May I know whether the Bank can purchase property under Section 25 or under the Revenue Recovery Regulation ?

Mr. P. I. Simon: It can only be under Chapter VI.

Mr. K. R. Elankath: I rise to a point of order. The amendment has been moved after having been admitted by the Chairman. If on the merits of it the honourable member has to say anything he may continue and he is not authorised to question the ruling of the Chair.

President: Order, order. That is why I did not give a ruling on the question of order, because taking the previous Section and this together, this amendment can be moved as a kind of supplement to the provisions of the Revenue Recovery Regulation. The remarks that the honourable member is making, although couched as a point of order, are also pertinent to the substance of the enactment and that is why I did not give a ruling on the point.

Mr. P. I. Simon: There is a substantial provision in the Revenue Recovery Regulation relating to the cancellation of sales held under the Regulation.

Mr. R. V. Thomas: May I know whether Section 25 is superfluous since there is the Revenue Recovery Regulation ?

Mr. P. I. Simon: Section 25 is not superfluous. It enables the Bank to become the purchaser of property belonging to a debtor who is in arrears.

Mr. Nedumangad R. Kesavan Nair: Even without Section 25 is not the Bank enabled to become the purchaser of property ?

Mr. P. I. Simon: It can become the purchaser of property even apart from the provisions of clause 25. Clause 25 confers another enabling power on the Bank to purchase property even otherwise than by the other provisions of the Bill which enable the Bank to acquire property. I therefore submit that this amendment of Mr. Thomas runs counter to the provisions of the Revenue Recovery Regulation which are made applicable to the proceedings relating to the recovery of arrears, in this Bill. I therefore oppose the amendment.

Mr. K. R. Elankath: May I know from the member whether we may not provide for special rules if necessary in enacting a law ?

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Mr. P. I. Simon: If you will examine the provision as it is, you will find that it is the power to purchase the property sold for recovery of loans that clause 25 confers on the Bank. When there is a sale of property for the recovery of loans due to the Bank under the Revenue Recovery Regulation, it is competent for the Bank to become the purchaser.

Mr. James Fletcher (*Kalkulam and Vilavankod* cum *Neyyattinkara*): I desire to say a few words regarding the amendment proposed by Mr. R. V. Thomas. I am in very great sympathy with the sentiments expressed by my friend. He has come across probably many sales in the Civil Courts where properties are sold for very inadequate sums. The creditors have been bringing very costly properties for sale and buying them for a song. That is why he is feeling this desire to give the debtor a chance for a period of six months within which he may pay that amount into the Bank and recover the property. Well, that is a good sentiment. But my submission is how far that can be allowed. This Section 25 is brought in for this reason. The Bill allows the creditor, namely the Bank, to recover its dues through the Revenue Recovery Regulation. That is a special provision under which the Bank can recover its dues. Ordinarily when the properties are sold in auction, the creditor who is Government seldom purchases the property sold. The property is sold to the bidder who pays the largest amount. Here this provsion is made so that the creditor himself may compete with the other bidders and purchase the property. When the Revenue Recovery Regulation has made this provision also—as my friends have already referred to, a chance is given to the debtor to pay the full amount within a month and get back the property. Of course if the property is worth much and the debtor has not been able to pay up the money within the prescribed time, he has a month within which he can find out some means to get back the property. There is that provision already in the Regulation. But my Friend Mr. Thomas probably desires to extend it to six months. That will be bringing very great strain on the Bank. Just because the Bank has purchased the property, it should not be asked to wait for six months before it can deal with the property fearing that at any time within the six months money may come in and the property will have to be handed over to the debtor. The Bank cannot wait with a certain amount of property which cannot be used or disposed of or sold to somebody else and kept in suspense for a period of six months. The period is too long. Though there is the desire to help the debtor, yet you cannot expect the Bank to over do it. A month's time will be sufficient and the Revenue Recovery Regulation gives that time. I would therefore submit that this amendment is unnecessary and it may be thrown out.

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Mr. N. V. Chacko: I support the amendment of Mr. R. V. Thomas. There is difference between the Credit Bank and the ordinary purchasers. This Bill does not affect the ordinary purchasers in any way. They are not compelled to lend money under this Bill. The Bank exists under the Regulation, and therefore we can make provisions binding the Bank, but not stranger purchasers. There is another reason also. If you fix six months' time for the ordinary purchasers, it will be too long for them since their life is counted, but not so in the case of the Credit Bank which we hope to be perpetual and eternal even.

Some members expressed very great sympathy for the debtors There is no use of expressing sympathy unless you are prepared to translate it into action. They said that the Bank is meant for the benefit of the debtors as a whole. There is no meaning in saying that every debtor should be sacrificed for the sake of all the debtors. So I support the amendment which is likely to give a great deal of relief to the debtor. There are parallel provisions in other Regulations also.

Mr. Kallur Narayana Pillai (*Mavelikara* cum *Tiruvalla* cum *Pattanamtitta*) : സർ, മി. ആർ. വി. തോമസ് ഒരു പ്രൊവൈസോ കൂടി ചേർക്കണമെന്നു കൊണ്ടുവന്നിട്ടുള്ള ഭേദഗതിയെ ഞാൻ ഹാർദ്ദമായി അനുകൂലിക്കുന്നു. ഋണബാധിതരായിരിക്കുന്ന കർഷകരുടെ സമാശ്വാസത്തിനുവേണ്ടി ഏർപ്പെടുത്തുന്ന ഒരു ബാങ്കിനു നാലായിരമോ അയ്യായിരമോ രൂപായ്ക്ക് കടപ്പെട്ടിരിക്കുന്ന കർഷകർ അതിലിരട്ടി വിലയുള്ള വസ്തുക്കളാണ് ഉറപ്പായി കൊടുക്കുന്നത്. ഇങ്ങനെ കടം വാങ്ങിക്കുന്ന സംഖ്യ വർഷത്തിൽ രണ്ടോ മൂന്നോ തവണ വച്ച് ദീർഘകാലംകൊണ്ടു അടച്ചാൽ മതിയെന്നും നിയമത്തിൽ കാണുന്നുണ്ട്. ബാങ്കിൽനിന്നും രൂപാ വാങ്ങിച്ച് അവരുടെ കടം മുഴുവനും തീർത്തശേഷം ഒരു തവണ അടയ്ക്കേണ്ട സംഖ്യ മുടക്കം വരുത്തുമ്പോൾ റവന്യൂ റിക്കവറി റഗുലേഷനിലെ പ്രൊസീഡ്യൂവർ അനുസരിച്ച് ഇടാക്കണമെന്നാണ് ക്ലാസ് ഫൈവിൽ പറഞ്ഞിരിക്കുന്നത്. ആ ക്ലാസ് നാം പാസ്സാക്കിക്കഴിഞ്ഞിരിക്കുന്ന സ്ഥിതിക്കു അതിനെപ്പറ്റി നമുക്കിവിടെ ചോദ്യം ചെയ്യാമോ എന്നൊരുവാദം മി. സൈമൺ പുറപ്പെടുവിച്ചു. സെക്ഷൻ ഫൈവിൽ പറയുന്നത് ... ...

"Subject however to such rules if any, as may be made by Our Government in this behalf." എന്നു മാത്രമാണ്. അതായതു ഗവൺമെൻറിൽനിന്നും ഉണ്ടാക്കുന്ന റൂൾസിനു വിധേയമായി റവന്യൂറിക്കവറി റഗുലേഷൻ പ്രൊസീഡ്യൂവർ അനുസരിച്ച് നടപടി നടത്തണമെന്നേ പറയുന്നുള്ളൂ. ഇപ്പോൾതന്നെ രണ്ടോ നാലോ ചക്രം കരക്കുടിശ്ശിക യുള്ളവയ്ക്കു വേ

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ണ്ടി പത്തും ഇരുപതും സെൻറു സ്ഥലം ലേലം ചെയ്തു വിൽക്കുന്ന എന്നുള്ളതു നാം ദിവസവും കാണുന്ന ഒരു സംഗതിയാണ്. സർ, തിരുവല്ലാ താലൂക്കിൽ കൃഷിവായ്പ്പവകയിൽ ഈടാക്കേണ്ടിയിരുന്ന ഏഴു ചക്രം ഈടാക്കാനായി മൂന്നുപറനിലം ലേലത്തിൽ വിറ്റു ലേലം സ്ഥിരപ്പെടുത്തിയിരിക്കുന്നു. ഇതുപോലെതന്നെ വിലപിടിച്ച അനേകം വസ്തുക്കൾ നിസ്സാരമായ സംഖ്യയ്ക്കുവേണ്ടി റവന്യൂറക്കവറിറഗ്രലേഷൻ നടപടിമൂലം ലേലത്തിൽ പോകുന്നുണ്ട്. ഋണബാധിതരായ കർഷകരുടെ കടം തീർക്കുന്നതിനുവേണ്ടി ബാങ്കിൽനിന്നും കൊടുക്കുന്ന പണമാണിതു്. ഇപ്പോഴത്തെ സാമ്പത്തികസ്ഥിതികൊണ്ടും ഉല്പന്നങ്ങളുടെ വിലക്കുറവുകൊണ്ടും തവണകൾ യഥാകാലത്തു് അടച്ചുതീർക്കാൻ സാധിക്കാതെ വന്നേക്കാം. ഇങ്ങനെയുള്ള നിസ്സാരസംഖ്യയ്ക്കുവേണ്ടി വസ്തുക്കൾ മുഴുവനും ലേലത്തിൽ വില്പിക്കുന്നതു വളരെ സങ്കടകരമാണു്. രണ്ടു ചക്രം കരക്കുടിശിഖക്കായി വസ്തുക്കൾ വിൽക്കുന്ന അവസരങ്ങളിൽപോലും ഒരു മാസത്തെ അവധി കർഷകർക്കു കൊടുത്തുവരുന്നുണ്ടു്. എന്നാൽ ഭീമമായ സംഖ്യ വീഴ്ചവരുത്തിക്കഴിഞ്ഞാൽ അതിലേയ്ക്കു് ഒരു മാസത്തെ അവധി കൊടുത്താൽ പോരാ ആറു മാസത്തെ സാവകാശം തന്നെ കൊടുക്കണം ഈ ബാങ്കിൽനിന്നു കൊടുക്കുന്ന പണം സാവകാശമായിട്ടു് ഈടാക്കണമെന്നുള്ളതാണല്ലോ ഗവണ്മെൻറിൻെറ ഉദ്ദേശം. അതുകൊണ്ടു് ഇങ്ങനെ വീഴ്ചവരുത്തിയാൽ ആറുമാസത്തെ സാവകാശം കൊടുക്കേണ്ടതാണെന്നുള്ളതത്വം ഗവണ്മെൻറു് കരുണാപൂരസ്സരം സ്വീകരിക്കണമെന്നാണു് എൻെറ അപേക്ഷ.

Mr. G. Narayana Aiyar : റവന്യൂ റക്കവറി റഗ്രലേഷനിലെ വ്യവസ്ഥകൾ ഭേദഗതി ചെയ്തശേഷമല്ലേ വേണ്ടതു്?

Mr. Kallur Narayana Pillai: റവന്യൂറക്കവറിറഗ്രലേഷൻ അനുസരിച്ചുള്ള പ്രൊസീഡ്യുവർ സ്വീകരിക്കണമെന്നു മാത്രമേ പറയുന്നുള്ളൂ.

Mr. R. V. Thomas May I know from the member whether the Bank cannot also proceed under other Regulations available?

Mr. Kallur Narayana Pillai: സിവിൽക്കോടതിനിയമം സ്വീകരിക്കയാണെങ്കിൽ ബാങ്കിലേയ്ക്കു് ഇടാക്കേണ്ട പണം ഈടാക്കുന്നതിനു കോടതിയിൽപോയി കേസുകൊടുക്കേണ്ടിവരും. അതുകൊണ്ടു റവന്യൂറക്കവറിറഗ്രലേഷൻ അനുസരിച്ചു നടപടി നടത്തുകയാണു സുകരമായ മാർഗ്ഗം. എന്നാൽ സാവകാശം മാത്രം ആറു മാസം കൊടുക്കണമെന്നുമാത്രമേ ഇവിടെ പറയുന്നുള്ളൂ.

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Mr. M K. Ananthasiva Aiyar: ആറുമാസത്തെ അവധി കൊടുക്കുമ്പോൾ പിന്നെത്തെ തവണ അടുത്തുപോകുകയില്ലേ?

Mr. Kallur Narayana Pillai : ഇതു ലേലം നടത്തുന്നതിനെസംബന്ധിച്ചു മാത്രമാണ്.

Mr. Kayalam Parameswaran Pillai: Sir, I oppose the amendments. That the Bank should not become a landholding corporation is quite a correct proposition and it will be noticed from the provisions of the Bill that a suggestion has been made in the Bill itself that the property purchased by the Bank should be disposed of. It will be noticed from Schedule I Part I that one of the items of permissible business laid down is the selling and realising of all property, whether movable or immovable property, which may in any way come into the possession of the Bank in satisfaction or part satisfaction of any of its claims Sir, the Bill contemplates that the property purchased by the Bank under the provisions of this Regulation will be sold by it. To go beyond that and to say that the Bank shall sell the property within a particular date will be quite unworkable unless the House expects that the Bank should sell the property at a loss. If the House desire that the Bank should work profitably and without loss, it must also appreciate at the same time that it may not be practicable to lay down any specific time limit of six months or eight months or the life within which it should sell the properties. It must be left to the Board to decide when the Bank shall dispose of the property to its best advantage. If we lay down a limit of time it may be that within that time the Bank do not get a proper offer. It should be the desire of every honourable member of this House that the Bank should not incur any loss in the discharge of its business. If that is borne in mind it will be seen that it is impracticable to lay down any particular period of time within which it should dispose of the property.

Mr. Nedumangad R. Kesavan Nair: May I know from the member, what harm there is in vesting the discretion in Government than in the Board of Directors

Mr. Kayalam Parameswaran Pillai: Government may not be able to say within what period the property can be disposed to the advantage of the Bank. If the property is worth Rs. 1,000 and if it is in the hands of the Bank for satisfaction of debts say of Rs. 1,000 and if Government lay down a rule that within six months the property should be sold and if the Bank cannot get an offer within that period what should the Bank do? Should it sell the property say for Rs. 100 if there is an offer for that amount and write off the balance of Rs. 900?

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Mr. Nedumangad R. Kesavan Nair: Could not Government consider the recommendations of the Board of Directors at the time of specifying the date of sale?

Mr. Kayalam Paramesvaran Pillai: The Board is in possession of the property and unless the honourable member means that the Board should write in every case to Government and ask for sanction for sale of the property I cannot understand the meaning of the question. The amendment says. "As may be fined by Government". How is the Government going to assure themselves that within the time that they may fix, the Bank will get a proper offer? If the honourable member's idea is that the Bank should suffer a loss, I can understand it. I am sure that no honourable member desires the Bank to suffer any loss. That being so all that can be possibly done in a Bill of this nature is to lay down a suggestion that the property shall be disposed of but not the time within which it should do so.

In regard to the amendment of Mr. Thomas I wish to say that it is seeking to place a distinct or differential kind of restriction on the particular Bank alone.

If any person purchases property in a civil court then the debtor must deposit the amount of the debt within a month. I do not know why this Bank alone should be subjected to special restrictions.

Mr. K. R. Elankath: May I ask whether the Government does not give a peculiar position to this Bank as may be seen from the pronouncements made authoritatively on behalf of Government?

Mr. Kayalam Paramesvaran Pillai: Sir, this Bank works for agriculturists. That is the very reason why I oppose the amendment. If this amendment is inserted then it will bring the Bank into ruin.

Mr. Nedumangad R. Kesavan Nair: Could not the money be recovered by the sale of properties?

Mr. Kayalam Paramesvaran Pillai: Yes. It may be.

Mr. Nedumangad R. Kesavan Nair: I withdraw the amendment.

The amendment of Mr. Kesavan Nair was, by leave, withdrawn.

The amendment of Mr. R. V. Thomas was then put to vote and lost.

Mr. R. V. Thomas: I demand a poll.

A poll was taken with the following results:

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AYES—8.

1 Mr. Kallur Narayana Pillai	5 Mr. M. S. Anirudhan
2 ,, R. V. Thomas	6 ,, K. M. Kora
3 ,, N. V. Chacko	7 ,, K. R. Elankath
4 ,, K. K. Kuruvilla	8 ,, Nedumangad R. Kesavan Nair

NOES 26

1 Mr. C. V. Chandrasekharan	14 Mr. V. S. Arumukham Pillai
2 ,, K. N. Govindan	15 ,, Padiyara Joseph Kunju
3 Rajyarakshapravina R. Pitchu Aiyangar	16 ,, A. Easwara Pillai
4 Rao Bahadur Rajyasevanirata Dr. N. Kunjan Pillai	17 ,, Kochikal P. Balakrishnan Tampi
5 Mr. K. R. Narayana Aiyar	18 ,, M. K. Ananthasiva Aiyar
6 ,, K. Parameswara Panickar	19 Mrs. Abernam Jnanasikhamony
7 ,, Kayalam Parameswaran Pillai	20 Mr. G. Narayana Aiyar
8 Rao Bahadur A. Rengasvami Aiyar	21 ,, T. K. Kittan
9 Mr. S. Sesha Aiyar	22 ,, N. Abdur Rahiman Sahib
10 ,, James Simpson	23 ,, Erric Hall
11 ,, Kottur Kunjukrishna Pillai	24 ,, P. I. Simon
12 ,, James Fletcher	25 ,, T. Mahomed Ismail
13 ,, P. R. Godavarma Raja	26 ,, Haji Hassan Yacoob Sait

NEUTRALS—2.

1 Mr. M. Govindan	2 Mr. Abdul Tayeb Sheik Kadir Bhoy

The amendment was declared lost, 8 voting for the amendment, 26 against and 2 remaining neutral.

The question that clause 25 stand part of the Bill was then put and carried.

The clause was added to the Bill.

President: I may mention now that it is 4 o'clock. I had the advantage of consulting the leading members of various parties. The House will sit until 6 or half past six in order to enable the passing of this Bill.

Clause 26.

The question that clause 26 stand part of the Bill was then put and carried.

The clause was added to the Bill.

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Clause 27.

Mr. M. S. Anirudhan: I move the following amendment:

In sub-clause (ii), line 2, delete the words "if our Government elect so to do."

Clause 27 deals with the constitution of the board of directors. As the clause now stands there may be 11 Directors, out of which 2 are to be nominated by the Government from among the shareholders, 2 officials to be appointed by Government, and 1 person to be nominated by the debenture holders in such manner as may be laid down by the rules. Thus Government have got control over 5 members of the board. As the wording of the clause now stands, it is not imperative on the part of Government to nominate 2 officials. By omitting the words I have suggested it will be made imperative on the part of Government to nominate two officials. It may be said that the Government proposes to take 50 per cent of the shares and that therefore the question of control may not be so very difficult. But there are provisions according to which the remaining shares may also be issued. When such shares are issued it may not be possible for the Government to control the 50 per cent. of the shareholders. If my amendment is accepted, the control sought to be exercised by Government will be more effective. In some inadvertent moment Government may omit to nominate the officials and their control over the bank may become lax. Hence I move the amendment.

Mr. K. R. Elankath: Sir, I move that in sub-clause (ii) delete the words "if our Government elect so to do" and in sub-clause (iv), substitute the word "four" for the word "six". As amended, sub-clause (iv) will read; "*four* shareholders to be elected by the bank in general meeting". The clause makes it obligatory on the part of Government to have two officials in the Board of Directors. The reason is probably that such nomination will afford greater security in the board. Speaking on some other motion, I gave expression to the apprehension that if the Board does not consist of people who are not interested in the bank as mere shareholders, and are commercially inclined with an eye to dividend without caring for safeguarding public funds, the management of the bank will become dangerous. Although the Government may watch carefully the working of the bank as long as the majority of the Directors are to be elected by the shareholders, it is open to them to control the detailed working of the bank. According to the present constitution, including the nominees of the Government other than the officers, there are only two Directors.

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Mr. G. Narayana Aiyar: The clause says "the Board "*shall* consist of" : so that it is imperative. Supposing the Government do not nominate two Government officials ; then the board will not be properly constituted. Will it not be an anomaly ?

Mr K. R. Elankath: There will be no anomaly.

Mr. G. Narayana Aiyar: Supposing the Government do not elect to appoint two officers. Can the constitution of the board be proper ?

Mr. K. R. Elankath: The wording is not very happy. Perhaps the word "may" would have been better than the word "shall". If my amendment is accepted, the constitution of the board will be thus : There will be 4 directors representing the shareholders and 5 Directors representing the Government. So the majority of the shareholders will be under the control of the Government. Even if one person is not nominated from among the debenture holders when no debentures are issued, the Government will have 4 Directors out of a total of 8. The shareholders will have nothing to complain of. To some extent at least the constitution of the board will be democratic. As Mr. Kunjukrishna Pillai ably said, in banking we should not be carried away by popular feelings. I therefore hope Mr. Kunjukrishna Pillai will be the greatest supporter of this amendment because the bank is broad-based on its constitution. Sir, great responsibilities are devolved on the board of management. As has been said, although the sanction of Government is necessary for the issue of debentures, if the board consider it necessary, whether well-advised or ill-advised, they may recommend to Government the issue of such debentures. Their object may be only to limit the percentage of dividend that may be given.

It is possible to declare a dividend ranging from 15 or 20 per cent. as the case may be if the Directors so choose. No harm will arise to the bank on that account.

Mr. Kottur Kunjukrishna Pillai: But according to general law it cannot be.

Mr. K. R. Elankath: But that is not respected when it is actually in operation. Some banks realise interest and commission and *vattom* over and above the one mentioned in the contract. It may state that only 12 per cent. alone should be realised. But what happens in practice is different. That is the truth. On paper, it will be alright.

My main object in moving the amendment is that Government should have the greatest control in the working of this bank. For instance let us see the fate of the State Aided Bank.

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President: Honourable members will realise that the mention of any individual bank whose repre-entatives are not here to say anything on their own behalf does not serve any purpose.

Mr. K. R. Elankath: That was the only bank in which Government had vested interests so far as I know.

President: It is just for that point I want it to be perfectly understood that the State Aided Bank is a shareholders' Bank to which the Government had made some loans. Government is not interested in the bank in the real sense except that it has made some loans and concessions. It is purely a private body.

Mr. K. R. Elankath: All that I want to say is, that there was a Government Director who collaborated with the other Directors in the working of the Bank. In any case, I am of opinion that this Bank should be conducted on more democratic lines. The Government should have the best control over it. If at all my amendment suggests anything in that line, it is that and nothing more. The more the bank is conducted on democratic lines, it is better for the institution, because, the shareholders will be interested more in the management and work for the solidarity and soundness of the institution rather than work for the sole purpose of amassing wealth.

Mr. N. V. Chacko: The amendment proposed by me is identical with that proposed by Mr. M. S Anirudhan and the first part of the amendment by Mr. K. R. Elankath. It is better to delete from the clause "if Our Government elect so to do". It is safer to have always two directors appointed by the Government. There is no reason why the appointment of two directors should be left only optional with the Government.

Mr. Kayalam Parameswaran Pillai: Sir, I oppose the amendment. It is no doubt correct to say that the Government should exercise some control over the working of the Bank. But at the same time the idea of Government is this. The control of Government in the day to day business of the bank should be at a minimum. It will be noticed that the number of Directors to be elected to function in the Board is six and all of them are elected by the shareholders. It is the desire of Government that to the extent possible the responsibility for carrying on the bank's business and the incentive for carrying it on in a business like manner, must be in the hands of the Directors elected by the shareholders. No doubt Government can and ought to interfere if anything is wrong with the affairs of the bank. One method of interference will be by nominating Government officials as Directors whenever necessary. When the shareholders elect the Directors and the bank is found to work quite satisfactorily, it is not quite necessary to put in Government officers there. The putting of

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[Mr. Kayalam Paramesvaran Pillai.]

Government nominees may even be resented by the other Directors while carrying on the business in a satisfactory manner.

As regards the day to day administration of the bank and the exercise of powers by Government, there would be bye-laws and Rules. The dangers apprehended by the members could be considered by means of suitable bye-laws.

Mr. G. Narayana Aiyar: In the absence of two Government nominees, is the constitution of the Board perfect?

Mr. Kayalam Paramesvaran Pillai: There is nothing improper legally.

Mr. Nedumangad R. Kesavan Nair: Does not the sub-clause enjoin that two members shall be nominated by Government?

Mr. Kayalam Paramesvaran Pillai: No, Sir.

Mr. Nedumangad R. Kesavan Nair: Does not the Section enjoin that the Board shall contain officers of our Government appointed from time to time?

Mr. Kayalam Paramesvaran Pillai: Yes, provided the Government elect so to do. That is the provision.

It will be seen from clause 40 of the Bill that certain bye-laws have to be made for the conduct of the business of the Bank and these will be made with the sanction of Government. When they are so made, they cannot be altered except with the sanction of Government. If the bank works very satisfactorily and in accordance with bye-laws, it may not be necessary to nominate two officials

Mr. G. Narayana Aiyar: Should there not be a compliance of all such sections for the constitution of the Board of Directors?

Mr. Kayalam Paramesvaran Pillai Yes. Rules for the carrying on of the business of the Bank will be made, what security shall be taken for loans, what precentage of the value of the property may be lent up to, which loans may be granted and so on.

Mr. K. R. Elankath: It is stated that the Directors have to assess the value of properties offered as security for the loan. In that case, may I know whether the Government have not got a final responsibility to ascertain the solvency of the debt or?

Mr. Kayalam Paramesvaran Pillai: Bye-laws will be framed to guide the working of the Board. If the working of the Board is smooth, no necessity arises for Government to nominate their officers as Directors. It is also to be remembered that

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the large bulk of the shares will be held by Government. As shareholders, Government have a voice in the ordinary working of the Bank,

Mr. G. Narayana Aiyar : The clause reads thus :

"The Board shall consist of the following Directors namely... ....."

So, to constitute a Bank are not the 11 Directors absolutely necessary ?

President : It is a matter of interpretation of statutes. Suppose at the end of sub-section (1), (2), (3) and (4) there are other sub-sections framed to the effect that there may be two Government shareholders on the Board of Directors appointed from time to time. Apparently that idea is working on the mind of the honourable member. "If Our Government elect so to do" is really a Proviso. It has been laid down in a series of decisions, particulary Privy Council decisions, that the Proviso, if properly worded, can negative the main items of the Section. So that then it is a matter of interpretation of statutes. There is nothing illegal about it.

Mr. Nedumangad R. Kesavan Nair : Then, why not my amendment be substituted ?

President : Order, order. I quite realise the interest evinced by the honourable members in regard to this matter. The object of the Government in trying to use the wording "if Our Government elect so to do" is this. Sometimes it has been found that if there are Government Directors having other things to do, they are not in many cases able to give their undivided attention to the bank's business. Secondly it is noticed that there is a tendency on the part of the other Directors to surrender themselves to these Government Directors. The idea is that, as far as possible, Government should utilise their share holding capacity and see to the election of proper shareholders as Directors. Subject to that the intention of Government is to have the minimum official interference. Their nominees will only be acting as watch dogs or supervisors. Instances are now known where the so-called Government Directors have probably done more than they should have.

The other shareholders' Directors should not be able to turn round and say that the Government are managing the concern. On that ground the expression "if Our Government elect so to do" is put in. It is this aspect of the matter which has influenced Government to use this wording.

The question before the House is to adopt the following :

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[President.]

In sub-clause (ii), delete "if Our Government elect so to do" and in sub-clause (iv), substitute the word "four" for the word "six".

The amendment was put to vote and lost.

President : Then the question before the House is to adopt Mr. Anirudhan's amendment which reads thus:

In sub-clause (ii) line 2, delete the words "If Our Government elect so to do".

The amendment was put to vote and lost.

Mr. R. V. Thomas: Sir, I move the following amendment:

After sub-clause (iii) add the following and re number :

"Two non-official members of the legislature to be elected by the non-official members of the Legislature in such manner as may be laid down by rules made by Our Government."

It is laid down in distinct terms that the purpose of the Bank is to help the agricultural debtors and also certain industries.

Mr. Kottur Kunjukrishna Pillai: On a point of order. The decision of the House on this point has been expressed in the previous amendment.

Mr. R. V. Thomas : There are wide spread misgivings in the land as to the actual working of this Bank. Even though it purports to be for the benefit of the agricultural debtors and the progress and development of cottage industries, people doubt whether the effect when the Bank comes into working order would be the same as is expected to be. They fear that in the long run the absolute control of the Bank would fall into the hands of interested financiers and capitalists and they may, as far as they can, try to put impediments in the way of the Bank doing business in the liquidation of agricultural indebtedness. Hence I was moved to put forward this amendment. If the amendment is accepted, I hope, to a certain extent, it would safeguard the interests of the debtors and it would be easier for the people to get more benefit out of the Bank by way of loans and advances for the development of cottage industries. It is moved by these sentiments that I move this amendment. I hope the House will support the amendment.

Mr. Nedumangad R. Kesavan Nair : My amendment is substantially the same as that of Mr. Thomas. But I have specified the manner in which the members of the Legislature are to be elected, one from the Assembly and the other from the Council. While discussion was going on regarding the issue of debentures, we heard the Law Member stating that Government was going to

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have the maximum amount of scrutiny. While Section 27 was being discussed, we heard the Law Member stating that it is the object of Government to entrust the working of the Bank to a Board consisting, as far as possible, of non-officials. This position is clearly inconsistant. Any way the fact is there that there is going to be a Board and that Government are to scrutinise the working of the Board to a certain extent. If two members of the Legislature are also elected, the number of members comes to 13. As was submitted by Mr. Thomas, if there is an opportunity for us the elected representatives of the people to scrutinise the working of the Bank, whatever other people might say about the honesty, financial ability, business like capacity and integrity of the members of the Legislature, I for my part would emphatically say that the members of the Legislature are competent.....

President: Has anybody said anything about the integrity or the capacity of the members of the Legislature?

Mr. Nedumangad R. Kesavan Nair: Yes, Sir. Their capacity about the working of commercial institutions was questioned here by one. For my part, I would most jealously guard against the audacity with which such statements are made. I would only contemptously ignore such statements questioning our capacity to supervise a commercial bank (*Mr. N. V. Chacko, Hear, Hear*). Such statements, to say the least of it, should not have been made. In conclusion I would only submit that we the non-official elected members may be given an opportunity in scrutinising the working of an institution where Government guarantee is given. So I commend this amendment to the acceptance of the House.

Mr. Kottur Kunjukrishna Pillai: I rise to oppose this amendment. It is stated that two members elected by the Legislature should be on the Board. Obviously, no share qualification for these members is insisted upon. The fact that they are members of the Legislature and that they are elected by the Legislature should enable them to be members of the Board.

Mr. Nedumangad R. Kesavan Nair: Is any share qualification insisted upon for the nominee of the debenture holders?

Mr. Kottur Kunjukrishna Pillai: He is the representative of the debenture holders who have vital interests in the Bank when debentures are issued.

Mr. Nedumangad R. Kesavan Nair: For the representative nominated by the Government?

Mr. Kottur Kunjukrishna Pillai: He represents the Government who have got shares.

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Mr. R. V. Thomas: May I know whether the members of the Legislature do not represent the people of the land?

Mr. Kottur Kunjukrishna Pillai: Yes, but they may not represent the interests of the Bank.

Mr. Nedumangad R. Kesavan Nair: Sould not the people be represented there?

Mr. Kottur Kunjukrishna Pillai: Not inside the working body of the Bank. All the 51 lakhs of people cannot be in the Bank.

Now what are these two solitary representatives of the Legislature without shares going to do there? Is it going to serve any serious purpose?

Mr. Abdul Tayeb Sheik Kaderbhoy: Will it satisfy the member if the elected representatives of the Legislature are share holders?

Mr. Kottur Kunjukrishna Pillai: That is imposing another condition for a man to be a member of the Legislature.

Mr. K. R. Elankath: Is it not enough that the Legislature elects members who have got shares in the Bank?

Mr. Kottur Kunjukrishna Pillai: I do not think that is right. If there are only one or two members who have got shares, then the Legislature is compelled to elect them. In such a case the Legislature will be compelled to nominate a man whom they cannot but nominate and who is not a real representative of the Legislature.

Mr. K. R. Elankath: May I know whether there is any impediment in the way of any member taking shares in the Bank?

Mr. Kottur Kunjukrishna Pillai: There is nothing. But then, why not they get themselves elected to the board with the sufferage of the share holders. What are these two solitary figures going to do in the Board? How can they be effective? Do you want to see them as ineffective angels beating their luminous wings in the void?

Mr. R. V. Thomas: May I know what is it that the representatives of the Government can do?

Mr. Kottur Kunjukrishna Pillai: It is another matter. Government have got sufficient control by way of shares which the representatives of the Legislature have not got. In a general meeting they can exercise and show their strength and implement the power or the opinion of Government.

Mr. Nedumangad R. Kesavan Nair: Does the member think that the representatives of the Legislature are so imbecile?

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Mr. Kottur Kunjukrishna Pillai: They should not be made imbecile and so they cannot be allowed to go into the Board meeting without any power. They may very well earn the sitting fee and the T. A. But they should not be allowed to go into the Board meeting without having any financial interest in the Bank.

Mr. C. V. Chandrasekharan: May I know how the member has represented the members of the Legislature as having luminous wings? (*Laughter*)

Mr. Kottur Kunjukrishna Pillai: I think all ineffective angels have luminous wings.

Mr. G. Narayana Aiyar: May I know whether in the Reserve Bank the members of the Legislature are represented or not?

Mr. Kottur Kunjukrishna Pillai: The provisions of the Reserve Bank are quite different. That is entirely a different institution.

Mr. R. V. Thomas: May I know what effective work the representatives of the debenture holders will be able to do in the Bank?

Mr. Kottur Kunjukrishna Pillai: They will safeguard and watch the interest of the debenture holders. At any rate they have got some interest in the Bank and in the moneys with which the Bank are working.

Mr. K. R. Elankath: Is it the member's view that the members of the Legislature have no interest in public concerns especially in matters in which Government takes such influence?

Mr. Kottur Kunjukrishna Pillai: Not at all, because the representatives of the people have got interest in everything that is going on in this State, it does not mean that they should be allowed to control and interfere in all the institutions that are worked for the benefit of the public. I do not think any real purpose will be served by the representation of two members of the Legislature in the Board. After all, there are only two representatives. If it is a question of majority, then there would have been some weight in the argument. But they do not carry the majority. If it is a matter of protecting the public funds, we have got the Government representatives. The Government have got stake in the Bank and they are bound to take real interest and if they do not take proper care, there is the Legislature and the representative houses to take Government to task. Therefore I do not think there is any meaning at all in providing for the representation of these two solitary representatives, without any share qualification, and with no interest in the Bank. Far from being of any help they will be a hindrance.

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Mr. Kayalam Paramesvaran Pillai: I oppose the amendment. The purport of the amendment is that this House should have a right to go into the domestic affairs of the Bank or, if I may so put it, with the *adukkala* (kitchen) affairs of the Bank. The Bank is a share holders' Bank and I wonder why the members of the Legislature should, as such members, try to get into the Board. It is only the domestic council of the Bank.

Mr. Nedumangad R. Kesavan Nair: Are not the members of the Legislature interested in an institution in which Government money is invested?

Mr. Kayalam Paramesvaran Pillai: Yes.

Mr. K. R. Elankath: May I know what is the place of the officers nominated by Government in this *adukkala*?

Mr. Kayalam Paramesvaran Pillai: I do not propose to answer that question as it has been answered so many times. Sir, when the Legislature claims to have some voice in the Board, I think it is trying to go into the domestic council of the Board for which there is no propriety whatever.

If any honourable member of either legislature is so anxious as to get a voice in the ordinary business of the Bank, the best way for him is to take some shares and convince the other shareholders that he is the fittest person to be represented in the Directorate. That will be the proper way to go into the Board to get a voice in the working of the Bank. Merely because any particular member of the legislature has the confidence of the other members of the legislature it does not seem to be quite relevant that he should be nominated to the Board of Directors. After all, it should be borne in mind that political considerations should not be allowed to come in. When an ordinary member of the legislature elects any other member to the Board it would be as good as a politician electing a brother politician to represent him in the Directorate. This bank is a shareholders' bank and it is like any other bank in the conduct of their business. The amendment is not therefore conducive to the smooth working of the bank.

The amendment was put to the vote of the House and lost.

The question that clause 27 do stand part of the Bill was then put to the vote of the House and carried.

Clause 27 was added to the Bill.

Clauses 28, 29 and 30.

The question that clauses 28 to 30, both inclusive stand part of the Bill was then put to the vote of the House and carried.

Clauses 28 to 30 were added to the Bill.

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Clause 31.

Mr. K. R. Elankath: Sir, I beg to move that in clause 31 sub clause (3), line 3, the word "salary" may be substituted for "salry".

Mr. Nedumangad R. Kesavan Nair: I second it.

Mr. Kayalam Paramesvaran Pillai: Sir, I oppose the amendment as an amendment. It is only a clerical mistake; and under the provisions of the Standing Orders of this House the Secretary will rectify it, but we are all thankful to the honourable member for pointing out the mistake.

Mr. K. R. Elankath: Sir, if the Bill is passed as it is——

President: Order. Order. It has been pointed out that the Secretary of the Council is vested with the power to correct spelling mistakes. So he will attend to it.

The question that clause 31 do stand part of the Bill was then put to the vote of the House and carried.

Clause 31 was added to the Bill.

Clauses 32 to 37.

The question that clauses 32 to 37 stand part of the Bill was put to the vote of the House and carried.

Clauses 32 to 37 were added to the Bill.

Clause 38.

Mr. M. S. Anirudhan: I don't move my amendment, Sir.

The question that clause 38 stand part of the Bill was put to the vote of the House and carried.

The clause was added to the Bill.

Clause 39.

The question that clause 39 do stand part of the Bill was put to the vote of the House and carried.

The clause was added to the Bill.

Clause 40.

Mr. K. R. Elankath: I beg to move that the following proviso may be added to part (a) sub-clause (1) of clause 40.

"Provided that in the case of loans.....

President: With regard to clause 40 there are amendments from Mr. Elankath, Mr. Thomas, Mr. Anirudhan and Mr. Chacko. I therefore call upon them one after another to speak in the order of logical consequence.

Mr. K. R. Elankath: I beg to move that the following proviso may be added to part (a) sub-clause (1) of clause 40:—

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[Mr. K. R. Elankath.]

"Provided that in the case of loans advanced on the security of immovable property, the rate of interest chargeable shall not exceed 4 per cent. per annum and the period covering such loans shall ordinarily be spread over thirty years unless agreed upon by the borrower".

Sir, as amended the clause will read thus:

(*a*) the maximum amounts which may be advanced or lent to any person or persons and the conditions (such as for example the rate of interest, the term of a loan and the method of repayment) under which advances or loans may be made, provided that in the case of loans advanced on the security of immovable property, the rate of the interest chargeable shall not exceed 4 per cent. per annum and the period covering such loans shall ordinarily be spread over thirty years unless agreed upon by the borrower."

Sir, the object of this amendment is one which is most important as ragards the relief which is intended to be given to the ryots by this Bill. Sir, one of the objects of the relief is that they should get money on cheap rate of interest, and they must get easy instalments of payments for the big amounts which they borrow. When passing this legislation if it is not pointed out what will be the maximum rate chargeable to the ryot or what will be the period during which the instalments may be paid, the whole benefit of this measure, I should say, would be denied to them. Government may say that it is their primary consideration to see that the interest is lowered as far as possible in order to afford maximum relief to the suffering cultivators. They may say also that they could not lower the rate of interest beyond a certain percentage as that will not bring forth sufficient money for the efficient working of the Bank or that they will not be able to get money from the shareholders if they are made to think that their investments would yield only very little. But the Dewan himself told us at the very outset that the primary consideration of this bank is to see that cheap capital is brought in and it is disbursed to the borrowers at the lowest possible percentage of interest say, at 3 or 3½ per cent. and they will be getting large amount by way of debentures. And if debentures are not forthcoming say at 2, or 2½ or at 3 per cent. and the shareholders expect a dividend of more than 6 per cent. then it is not worthwhile to try this experiment at all. Sir, the ordinary agriculturist who depends on the soil cannot expect to get more than 2 per cent. from his agricultural occupations especially during these days when the commodity price is so low. Even in ordinary times it is not at all possible to get a profit of more than 5 per cent. The Economic Depression Enquiry Committee has observed that in Nanjinad if a kota of paddy does not fetch more than Rs. 7

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there would be no margin of profit at all to the cultivators. Taking into account the value of the land, the cultivating expenses, and the payment of land tax and other incidental taxes, if the price of paddy stands at Rs. 7 there would be left nothing as a margin of profit. Even now they are doing their cultivation at a loss. And it will not be too much to ask Government that in giving out loans to cultivators they will be careful to see that the percentage demanded of them by way of interest does not exceed 4 per cent. And the more important section of the amendment is that, as the Government have more than once said that the main purpose of this Bill is to find out provision for long term loans, the period for recovering the amount should be extended to thirty years. Thirty years is not a long period so far as the huge aggregate of the indebtedness of the agriculturists is concerned. Even now the Land Mortgage Bank has provision for giving loans on long term and as such, if this bank is intended to give a greater relief to agriculturists it is only proper that an extension of time is given for the repayment of the loans. Here I find no provisions made for that. And thirty years is not such a very long period so far as the ordinary debtor is concerned. Even in the interests of the Bank I should say that provisions should be made for easy instalments. If proper facilities are given to the borrowers that would act as a stimulus to the agriculturists to bestir themselves from their present despondency, but it will also enable the bank to work properly by getting constant remittances without resorting to coercive steps which may result in complications and financial commitments. So, I should think that this amendment is absolutely needed and without this amendment the legislation would be incomplete. With these words I commend this amendment for the acceptance of the House.

Mr. Kayalam Paramesvaran Pillai: Sir, in regard to the rate of interest the object of Government is to see that it is kept as low as possible. But at the same time it seems to me that it is not practicable to limit the rate of interest by a provision in the Regulation itself. The rate of interest has to depend on various factors which we cannot anticipate or foresee at present. The Bank has necessarily to work on money to be obtained by debentures. And the question what interest the Bank may have to pay for the debentures would depend upon the money market of India or of the world. Even Government may not sometimes be able to get money at 4 per cent. If so, how can the Bank raise money by debentures and lend out money at 4 per cent?

Perhaps the Bank may have to pay five per cent. for the debentures. If that is so, how can the Bank lend money to the borrowers at four per cent. The rate of interest to be charged will

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[Mr. Kayalam Paramesvaran Pillai.]

depend as I said on various factors. Another factor is the amount of working charges for the carrying on of the affairs of the Bank and this also is an uncertain factor. It is not at all possible to say at present what exactly will be the working charges. That will depend mainly on the volume of business transacted by the Bank. Both these factors should be considered in deciding whether it is practicable to lay down statutorily the rate of interest chargeable on loans.

Now it is stated that the agriculturists may not be able to pay more than four per cent. interest. If the prices of commodities and agricultural products go up, the agriculturists may pay more interest and if on debentures a high rate of interest has to be paid, a concomitant of that may be the increase in prices of commodities.

The interest charged by the Land Mortgage Bank at present is 6½ per cent. The Bank pays to Government on the Government moneys deposited into this Bank a rate of four and half per cent. The margin of 2 per cent. represent the working charges.

Mr. K. R. Elankath: Is it not possible to give sufficient inducement to the Bank by asking them to curtail the expenditure on the management?

Mr. Kayalam Paramesvaran Pillai: Yes. The Government will make every effort to see that the rate of interest to be paid by the borrower is kept down. But it is not possible to lay down a statutory limit, *i. e.*, by the Regulation itself.

It was stated that it is not at all necessary to make any loans to the cultivators if the rate of interest is not low. I think that such an attitude will be welcomed by other banks, but not certainly by Mr. Elankath. Because the other Banks can then have a run on the cultivators. If Mr. Elankath represents a bank then I can understand his arguments. If it be the contention of the member that other banks must prosper by lending at high rates and that this Bank should not step in even if they can offer money at a lower rate, I cannot understand it.

The Government will certainly try to keep down the rate of interest as much as possible. But it it is not possible to put a statutory limit in the Regulation itself in regard to the rate of interest chargeable by the Bank to the borrowers. According to Section 40 certain bye-laws have to be framed. The Bye-laws may lay down about the rate of interest that could be charged, the term of the loan, method of repayment, etc. The Government also may exercise in that manner.

Mr. K. R. Elankath: Is it not possible for Government to issue debentures at a higher rate of interest?

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Mr. Kayalam Paramesvaran Pillai: It is not possible to say that now. That the poor agriculturists must not be allowed to be exploited, is the supreme idea of the Government. If the rates of interest on debentures go up, then necessarily the prices of the commodities also may go up. For instance the price of cocoanuts may go up. If the price of agricultural products go up, the Government may be obliged to pay interest on debentures at a higher rate. If the value of commodities go up, the agriculturists will not grudge to pay higher rates of interest.

Mr. Thomas has suggested that in the case of agricultural loans, the maximum interest shall not exceed five per cent. per annum and the term of the loan shall be not less than 40 years. It may not be possible to lay down in the statute itself any particular period. That will be regulated by the rules which the Board will make with the sanction of Government. The object and purposes of the loans may also vary, nothing can be done statutorily in these matters.

President: Before putting the amendment let me point out one matter. Elsewhere it has been stated and it has to be repeated now that it is not the object of Government to make the Bank a profit making concern. The minimum return necessary to raise debentures on good terms will be the determining factor. The money market as we all know has fluctuated from time to time. At one time, Governments were able to raise money only by offering three per cent. At other times, certain Provincial Governments and States raised money at 6½ per cent. Certain Port Trusts whose debentures have now been guaranteed by Government were able to raise money at 6 per cent. Now the money market has become a very easy affair so much so Governments can raise money at 3½ per cent. It may be that, if there is a conflagration in the world, the money market will go up. Therefore to put a statutory limit in regard to the rate of interest will be wrong. And I wish to repeat and that emphatically that it is not possible to fix the rate of interest nor a declaration made about dividends. Now that the Bank is proposed to be run, the minimum necessary to keep the Bank going not as a losing concern but as one paying its way. Only so much could be said about it now.

Mr. K. R. Elankath: Sir, I do not press my amendment.

Mr. K. M. Korah: Sir, I do not press my amendment.

Mr. R. V. Thomas: Sir, I too do not press my amendment.

The question that clause 40 do stand part of the Bill was then put to vote and carried.

The clause was added to the Bill.

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Clause 41.

The question that clause 41 do stand part of the Bill was put to vote and carried.

The clause was added to the Bill.

Clause 42.

The question that clause 42 do stand part of the Bill was put to vote and carried.

The clause was added to the Bill.

Clause 43.

The question that clause 43 do stand part of the Bill was put to vote and carried.

The clause was added to the Bill.

Mr. R. V. Thomas : Sir, I move the following :—

After clause 43 add as clause 44 :

> "Notwithstanding anything contained in this Regulation the dividend declared on the share capital of this Bank shall at no time exceed 5 per cent. per annum."

Sir, my object in moving this amendment is to safeguard the interests of the investators and the borrowers. Receipt of five per cent. dividend is certainly a decent return from the point of view of the investor.

Another aspect of the matter is that Government propose to get the paid up share capital to the extent of Rs. 25 lakhs. Comparatively that is a small amount. The Bank will also issue unlimited debenture bonds. The profits on this score accruing to the Bank under ordinary circumstances will be considerable.

President : But if the debtors pay very little interest to the Bank, the profits cannot be high.

Mr. R. V. Thomas : But no stipulation is made about the rate of interest in the Bill. If they fetch higher profits, the Board of Directors may be influenced to lend money at lower rates. It is the Board of Directors that is responsible for the actual working of the Bank. If there is a statutory limitation in regard to the declaration of dividend, what can they do with surplus profits, but to lend out money at lower rates. It is this idea that prompted me to put forward this amendment. There is the danger that the control and working of the bank will fall into the hands of capitalists who may not have at heart very much the interests of the agricultural classes. Their aim may be to make as much profit as possible. They may be inclined to declare as much dividend as they can.

Mr. G. Narayana Aiyar : What has the member to say about the liquidation of debts.

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Mr. R. V. Thomas: The Board of Directors should be allowed to give out loans at a low rate of interest so that the agriculturists may be induced to pay their loans as easily as possible thereby enabling the Directorate to liquidate agricultural indebtedness in the State.

Mr. Kottur Kunjukrishna Pillai: Sir, I oppose the amendment. I see that this amendment is perhaps intended to influence the Directors to issue money at low rates of interest. But before that becomes possible we must get the money for issue by way of subscription of shares. I, for my part, do not know whether the amendment now proposed is necessary at all to protect the interests of a shrewd investor. The investor well knows from the scope of the bill, the nature of the business this bank is going to do. From the various assurances and the policy enunciated in this House by Government, the investors know full well that they are not coming here for abnormal dividends. Beyond that I fail to see what is going to be achieved by fixing a statutory limit with regard to dividends. Except it be that you want to show and advertise and ask people not to take shares, if that be the object, I can understand this amendment. Even without this provision, an investor who deposits hard cash will know what his prospects are. Such an amendment is unnecessary. If that is accepted that will merely show that the Legislature wants people not to take shares in the bank. I ask, is such a provision needed? The investor will not be bamboozled and he stands in need of no protection. He is not so ignorant as to throw his money away without understanding the implications of the Statute under which the Bank is working. Such an amendment is positively mischievous. I therefore oppose the amendment.

Mr. Kayalam Paramesvaran Pillai: Sir, I also oppose the amendment. The mover's object is to see that the rate of interest is kept as low as possible on the loans granted to the borrowers. I have already stated that Government will make every endeavour to see that the rate of interest is kept down. To go beyond that and to lay a statutory limit in respect of that is not at all a practical proposition. As for dividends, it will depend on the volume of business transacted by the Bank. If the business of the bank runs to a crore of rupees, proportionate profits could be secured. If the volume of business is still more, profits will increase correspondingly. The Bank must have some incentive to increase its business; that will be of benefit to the agriculturists also.

President: The question before the House it that.—

"Notwithstanding anything contained in this Regulation the dividend declared on the share capital of this Bank shall at no time exceed 5 per cent. per annum" be adopted.

The amendment was put to vote and lost.

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Mr. R. V. Thomas: Sir, I move the following.

Add as clause 45.

"Out of the net profits, the Bank shall set apart every year not less than 25 per cent. to form a reserve fund."

The bank is to be established with a view to help the agriculturists. Large powers are given to the Board of Directors. Of course with the sanction of Government the Board is also allowed to issue debentures to a very unlimited extent. There is also provision to receive deposits. Further this Bank is not expected to do the business of ordinary commercial banks. Under these conditions it is better that a proportionate reserve fund is set apart to meet a sudden run on the bank. It is true that there is a provision that deposits will be received for not less than 2 years. It is good so far. But there is the possibility of the debenture bonds getting matured at one particular time. Then there may arise some difficulty. Added to that, if the depositors also demand payment and if the bank feels some difficulty, things will become worse. In such emergencies it is the reserve funds that will be of immense help to banks.

Sometimes it may be difficult for the bank with its fluid assets to meet sudden and unexpected demands from depositors. It is only in the interests of the State as well as of the bank that there should be a provision to set apart a reserve fund every year out of the net profits. We can more or less guess that this bank will be working at very great profit. As I said before the prestige of the Government will induce people to invest money in large quantities in the bank in the from of deposits. The working expenses of the bank will be comparatively very small. And the profits need only be divided among a proportionately small number. As such we can expect large profits out of the bank. Therefore it will not be inconvenient to set apart a portion of the net profits as a reserve fund. It will be seen that in every banking institution a reserve fund is built up. When the bank is going to issue unlimited amount of bonds, it is only discreet that a certain proportion of the profit should be set apart as reserve fund. A reserve fund would, to a very large extent, diminish the responsibilities of the Government. There is a provision in the bill that the Government should guarantee the debentures. Therefore it will be better to have a reserve fund.

Mr. Kayalam Paramesvaran Pillai: Sir, I oppose the amendment. I do not for a moment say that the bank should not have any reserves. But these are matters of detail which may be left to the Board of Directors to decide in accordance with the bye-laws that may be framed.

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Mr. R. V. Thomas: May I know whether provision will be made for this purpose in the bye-laws?

President: It will be seen from the scheme of the Bill that no debentures may be issued unless there is some provision for building up the reserve fund. There will, therefore, be no necessity to make any separate provision in the law.

The amendment was, by leave, withdrawn.

SCHEDULE I.

Mr. R. V. Thomas: I move that the following provisos be added:

i. 75 per cent. of the total loans in any one year shall be on the security of immovable properties with or without collateral security;

ii. Provided not less than 2/3 of the total loans granted in any one year shall be for agricultural purposes.

President: The idea is perhaps that they should not be decoyeded to industrial loans?

Mr. R. V. Thomas: That is not the idea. What I say is that at least 75 per cent. should go for the relief of agricultural indebtedness. 1/3 may be devoted to industrial development and 2/3 for agricultural indebtedness.

Mr. Kayalam Paramesvaran Pillai: Sir, no such restrictions can be put. The board will exercise their discretion having regard to the funds at their disposal and the number of applications before them. I oppose the amendment.

President: The primary object of the bank is that it will lead to the relief of agricultural indebtedness. It may sometimes be that the urgency for the giving of agricultural loans may not be as great as that of industrial loans. Suppose for instance a link system of cottage industries comes into being in the State. Then the need for giving industrial loans will be great. Therefore it is not proper to lay down any percentage.

The amendment was put to vote and lost.

Mr. K. K. Kuruvilla: I move that the following be added as paragraph 10;

"The issue of agricultural and industrial loans to co-operative primary societies on the recommendation of the Registrar."

It has been stated that co-operative societies can get loans from the bank in the same way as individuals or societies. Men who make such statements have not understood co-operative principles. A man may have no immovable property but he may be reliable

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[Mr. K. K. Kuruvilla.]

ble and he may be able to get the support of his friends to stand guarantee for him. It is very unjust to leave out of consideration such a man. I do not see how a man who has offered immovable property is a more secure persons than a man who has the support of a large number of friends.

Mr. V. S. Arumukham Pillai: May I know, Sir, whether the primary co-operative societies are competent to borrow from the bank under the Co-operative Regulation?

Mr. K. K. Kuruvilla: I cannot answer that question. My view is that the loans now given as agricultural loans and the loans given by the Land Mortgage Bank have not been very helpful to those who really required them. The chief difficulty is that those who need them have no influence. If a society undertakes to pay these individuals then they will not have the same difficulty in getting loans. Therefore if the credit bank really wants to help the agriculturist, I think that Co-operative societies should be allowed to take loans from the bank. The bank offers loans for agricultural and industrial purposes. The agriculturist is an ordinary man who lives on his labour. The industrialist is more or less an employer who wants to command a large sum of money. I am afraid in course of time these industrialists will get all the money from the bank and the agriculturist may not get sufficient money. My vision of this bank is that at one time a Co-operative Credit Section to the Bank will be created so that all agricultural and industrial loans would go through that Section.

Mr. Kottur Kunjukrishna Pillai: May I know from the member whether he is aware that the Report of the Agricultural Debt Redemption Committee has recorded that the interest of the co-operative societies works up to 16 per cent?

Mr. K. K. Kuruvilla: I know that that is a fact. But that is no reason why we should not re-organise our banks. That is no reason why a good organisation should be completely left out of our consideration. Co-operative societies have been found to be successful in other parts of the world. In fact, it is the only organisation, properly constituted, which can be of use to us. If these loans are given through the co-operative societies, that will really help the people. As a preparation for this change, I move that this amendment be accepted.

Mr. V. S. Arumukham Pillai: Sir, I oppose the amendment. On principle the co-operative movement may be very useful, but in actual practice what we find is that the societies are not really serving the people. As I said on another occasion, they are seeds of faction.

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Mr. Nedumangad R. Kesavan Nair: Is that statement applicable to Travancore or any other part of the world?

Mr. V. S. Arumukham Pillai: In Travancore the co-operative societies are not at all working satisfactorily and outside Travancore I may say that they are not at all progressing.

Mr. Nedumangad R. Kesavan Nair: Is the member aware that an improverished country like Denmark has, through its co-operative movement, dictated terms in the matter of butter and cheese? Is he aware of the remarks of the President of this House on another occasion on this subject?

Mr. V. S. Arumukham Pillai: It will take us a long way to follow Denmark.

Sir, co-operative societies are governed by the co-operative societies Regulation and the bye-laws framed thereunder. Under that law, those societies can borrow only from the Taluk Banks. Here an attempt is made to amend the Credit Bank Regulation in order to empower co-operative societies to borrow from that Bank.

Mr. K. K. Kuruvilla: Cannot the Regulation be amended?

Mr. V. S. Arumukham Pillai: Yes. That amendment has to be made first before this is done. Let the Co-operative Societies Regulation be amended first and then this amendment may be made.

President: I would advise Mr. Kuruvilla not to press his amendment. My reasons are these: There is no disguising the fact that the working of the Co-operative Department and the co-operative societies needs complete re-organisation. Quite recently, Government had to consider the question of Co-operative societies. About 60 to 70 per cent. of them have done absolutely no business during the last one year. It is therefore proposed to re-organise the department.

After such re-organisation if the building of the Co-operative Department is taken up in the right sense, as some great countries such as Belgium, Denmark, Holland and Germany have done, then it will be time for bringing an amendment to the Co-operative Regulation. I have no doubt that the Co-operative Department if it functions adequately is a very fit instrument as liaison between banks and for advancing money for the agriculturists, farmers, etc., and for the development of cottage industries. Things being what they are at present, I think Mr. Kuruvilla's amendment may hamper, rather than help, the operations of the Bank.

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Mr. K. K. Kuruvilla: I beg to withdraw my amendment

The amendment was, by leave, withdrawn

The question that Schedule I Part I do stand part of the Bill was put and carried and was added to the Bill.

The question that Schedule I Part II do stand part of the Bill was put and carried and was added to the Bill.

SCHEDULE II.

The question that Schedule II do stand part of the Bill was put and carried and was added to the Bill.

PREAMBLE.

The question that the Preamble do stand part of the Bill was put and carried and was added to the Bill.

TITLE.

The question that the Title do stand part of the Bill was put and carried and was added to the Bill.

THIRD READING.

Mr. Kayalam Paramesvaran Pillai: Sir, the consideration of the Bill being over I move that the Bill be passed.

Mr. C. V. Chandrasekharan: I second it.

The question that the Bill be passed was then put and carried.

The Bill was passed.

President: The House will now adjourn *sine die.*

The Council adjourned at 5·50 P. M.

E. I. CHACKO,

Secretary to the Sri Chitra State Council.

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